UCLA

ANNUAL FINANCIAL REPORT

2017 – 2018

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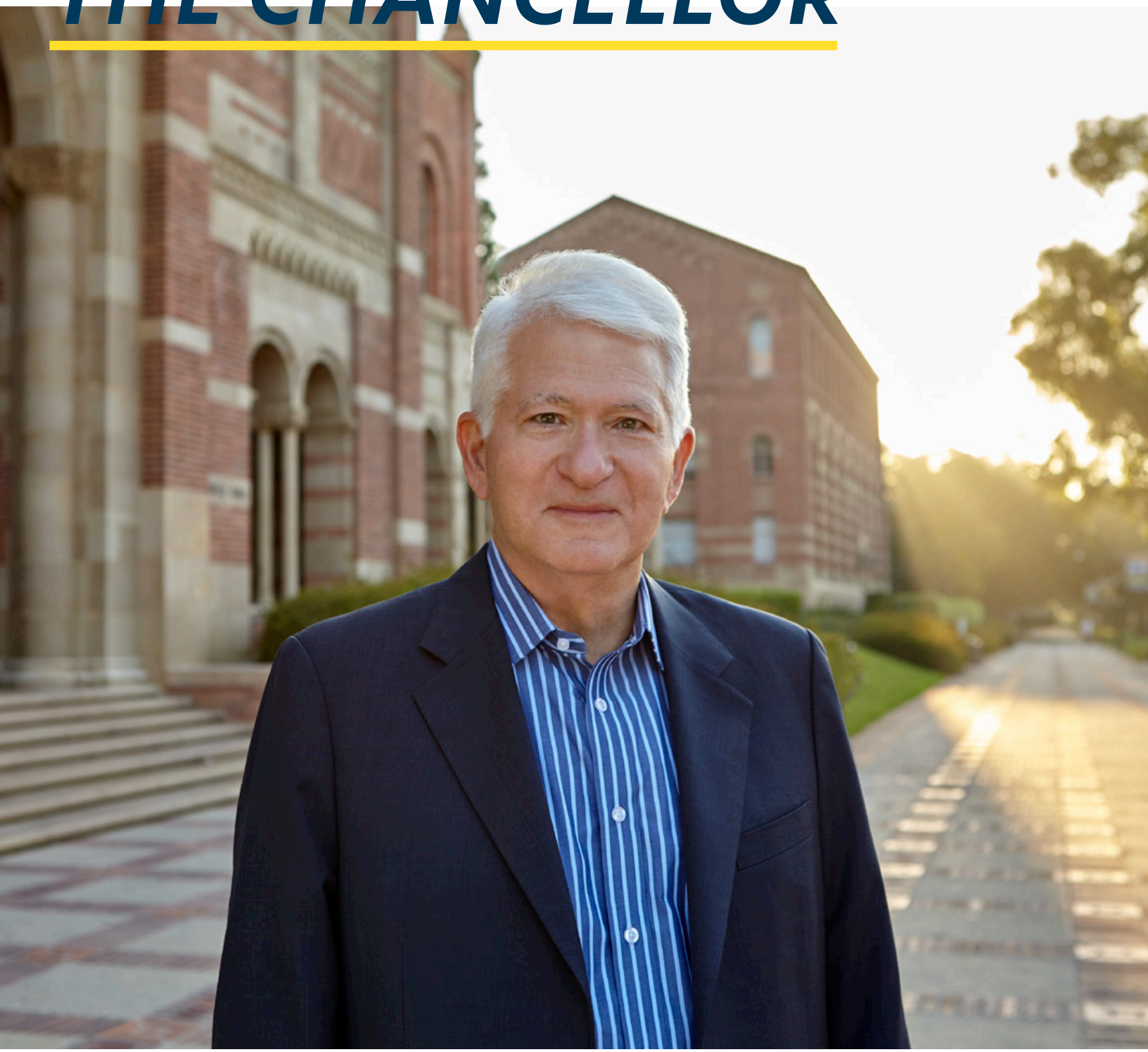
LETTER FROM THE CHANCELLOR



With 100 years of accomplishments behind us — including groundbreaking and life-changing discoveries — UCLA is poised to enter its second century stronger than ever. How we rise to the greatest challenges ahead, of course, will define UCLA's next 100 years, and I am confident that we will leave behind a better world for those who follow.

Our celebration of UCLA's first century begins in May with a year-long series of events reflecting on our past achievements and preparing for an even brighter future. "Lighting the Way" is the theme for our celebration and we encourage Bruins across the globe to join us.

In fact, the centennial celebration started a bit early, thanks to hundreds of thousands of people around the world who believe in our mission. They helped us meet our Centennial Campaign goal of raising $4.2 billion 18 months ahead of our December 2019 target date. While this is an extraordinary achievement, we will continue fundraising in key areas, particularly scholarships so that students from all backgrounds can afford a UCLA education.

Our education and research enterprises remain among the best in the world. In 2018, UCLA was named the No. 1 American public university in both *U.S. News & World Report's* "Best Colleges" rankings and *The Wall Street Journal/Times Higher Education* survey. We were also ranked No. 13 in the world by *U.S. News & World Report*. UCLA was also ranked No. 1 "best value" university by *Forbes* and second among U.S. public universities for contributions to society by *Washington Monthly*.

I am proud that over the past year, our financial resources have allowed us to continue to reach new heights. During the 2017–18 fiscal year, UCLA's total operating and non-operating revenues were $7.7 billion, an increase of $221 million over the previous fiscal year. The largest portion, about 31 percent, came from the UCLA Medical Center, while educational activities as well as auxiliary enterprises like student housing, food service operations and parking supplied about 28 percent of our revenues. Grants and contracts contributed 13 percent, and private giving contributed about 5 percent.

Despite our upward trajectory, there are some challenges ahead for UCLA's financial outlook. State support declined 24 percent from 2007 to 2016, even as undergraduate enrollment increased 19 percent — a situation that is certainly not sustainable for us. To address this, we are focusing on reducing students' time to degree, which will in turn enable us to enroll and graduate more California residents. I am pleased to report that our four-year finishing rate for students entering UCLA as freshmen continues to climb, reaching 80 percent last year — a new record for our campus. Additionally, faculty, staff and students from across campus have joined administrators and alumni to provide feedback for UCLA's new Strategic Plan, which will address some of these issues. We look forward to sharing that plan with the campus community this year.

Many of our recent achievements would not have been possible without the astute leadership of Executive Vice Chancellor and Provost Scott Waugh over the past decade. A dedicated UCLA alumnus, professor and administrator for more than 40 years, Scott will be stepping down in June. He has been a champion for students, faculty and academic excellence, and he has strengthened our campus in many ways, including by facilitating interdisciplinary research; prioritizing equity, diversity and inclusion; and building upon our international partnerships. I will miss his wise counsel, but I am delighted that he will remain on campus to conduct research.

We recently welcomed a new vice chancellor and chief financial officer, Gregg Goldman, who had previously served as director of financial services for the UCLA Library system. He returns to Westwood from the University of Arizona, where he was senior vice president for business affairs and CFO. Gregg has more than 25 years of experience in financial and operational leadership, strategic program development and administration at major public and private academic organizations, and we are extraordinarily pleased to welcome him back.

We have also created a new leadership position that we expect to fill this year — a vice chancellor for strategic communications, who will help UCLA share our local and global impact with purpose and serve as our chief reputation strategist.

"I am grateful to everyone in our Bruin family, both throughout California and around the world, who was part of the energy and excitement of the past year. You share in our successes, and I thank you for helping UCLA enter our next century well prepared to develop new generations of thinkers and leaders."

Gene D. Block

There were many noteworthy developments this fiscal year that furthered UCLA's mission of teaching, research and service. Among the highlights:

- Our latest economic impact report demonstrated how UCLA's influence is felt far beyond the boundaries of our campus. UCLA contributes $11.06 billion to the California economy, with more than $4 billion of that in the city of Los Angeles. UCLA is also the fourth-largest employer in Los Angeles County. The report also found that 24 startups launched during the 2016–17 fiscal year used UCLA-developed technology and that 70 campus inventions were licensed to companies for commercial use.

- We opened Engineering VI, a state-of-the-art building that includes 150,000 square feet of research and teaching space for the UCLA Samueli School of Engineering. A physical reminder of UCLA's commitment to discovery, Engineering VI will help us continue to attract the best and brightest students and faculty members — the leaders and problem solvers who will create the next generation of engineering breakthroughs.

- UCLA strengthened our commitment to help students and members of our community come together to explore major issues facing our nation. We hosted a *New York Times* panel discussion on the midterm elections, and we collaborated with *The Atlantic* for a compelling event addressing the future of American democracy. We also continued to host discussions across Los Angeles in partnership with Zócalo Public Square on topics ranging from the success of the film "Black Panther" to the relationship between the United States and North Korea.

Finally, two recent initiatives underscore the ways in which we are fulfilling the public portion of UCLA's mission.

First, we have worked to expand access to UCLA and increase diversity on campus, including through outreach to potential transfer students at local community colleges. As a result, one-third of our incoming undergraduates in fall 2018 transferred from California community colleges — a significantly higher percentage than we saw just a generation ago. Our efforts have been recognized as exemplary by the American Talent Initiative, an alliance of top four-year institutions committed to attracting, enrolling and graduating students from low- and moderate-income backgrounds.

And, because we believe it is never too early to start thinking about and preparing for college, our Office of Enrollment Management created Project Welcome, an initiative that reaches out to middle school and high school students in innovative ways to show that a UCLA education is affordable and attainable. The program provides students with checklists, application deadlines and tips to ensure they are UC eligible, as well as information about financial aid resources.

These are just a couple of ways UCLA is using our capabilities and resources to improve access to higher education.

I am grateful to everyone in our Bruin family, both throughout California and around the world, who was part of the energy and excitement of the past year. You share in our successes, and I thank you for helping UCLA enter our next century well prepared to develop new generations of thinkers and leaders.

Gene D. Block
Chancellor

UCLA
PUBLIC SQUARE

UCLA PARENTS' WEEKEND

CAMPUS AND FINANCIAL HIGHLIGHTS

CAMPUS AND FINANCIAL HIGHLIGHTS

Years ended, 2018 and 2017 (in millions of dollars)	2018	2017
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	31,002	30,873
Graduates, and Interns and Residents	14,426	14,074
EMPLOYEE COUNT		
Full-Time Equivalent (includes over 7,000 casuals and students)	38,353	36,968
NET POSITION		
Beginning of Year	$83	$(238)
End of Year	$319	$83
ASSETS:		
Total Current Assets	$2,194	$2,336
Total Noncurrent Assets and Deferred Outflows	$12,414	$12,333
	$14,608	$14,669
LIABILITIES:		
Total Current Liabilities	$1,463	$1,592
Total Noncurrent Liabilities and Deferred Inflows	$12,826	$12,994
	$14,289	$14,586
REVENUE:		
Operating Revenue	$6,674	$6,481
Nonoperating Revenue (Core Activities)	$1,012	$984
	$7,686	$7,465
Principal Sources of Operating Revenue:		
Student Tuition and Fees	$845	$818
Grants and Contracts	$1,016	$948
Sales and Services	$4,597	$4,406
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$448	$511
EXPENDITURES:		
Operating Expense	$7,603	$7,575
Nonoperating Expense (Core Activities)	$174	$166
	$7,777	$7,741
Principal Operating Expenditures:		
Salaries and Wages	$3,706	$3,562
Benefits	$1,343	$1,533
Supplies and Materials	$947	$848

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to help readers of the University of California Los Angeles' (UCLA's) financial statements better understand the financial position and operating activities for the year ended June 30, 2018, with selected comparative information for the years ended June 30, 2017 and 2016. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years (2016, 2017, 2018, etc.) in this discussion refer to the fiscal years ended June 30.

UCLA is one of 10 campuses within the University of California system (the University). The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The three basic financial statements in this report—the Statements of Net Position; the Statements of Revenues, Expenses, and Changes in Net Position; and the Statements of Cash Flows—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the notes to the financial statements focus mainly on the campus; information relating to The UCLA Foundation can be found in the separately issued audited financial statements at www.uclafoundation.org, and the Jonsson Cancer Center Foundation (JCCF) separately issued audited financial statements can be found at www.cancer.ucla.edu. Also, audited financial statements for the UCLA Medical Center are in the University of California's combined Medical Centers Report, available at www.ucop.edu.

The University of California

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care, and public service. The University has annual resources of nearly $35.7 billion and encompasses ten campuses, five medical centers, four law schools, and a statewide Division of Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE). The consolidated audited financial report of the University of California is available at http://www.universityofcalifornia.edu/reportingtransparency.

The Los Angeles Campus of the University of California

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget of approximately $7.9 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving over 45,000 students in the following schools:

College of Letters and Science

General
Humanities
Institute of the Environment & Sustainability
International Institute
Life Science
Physical Sciences
Social Sciences

Health Sciences Programs

David Geffen School of Medicine
Jonathan and Karin Fielding School of Public Health
School of Dentistry
School of Nursing

Professional Schools

Graduate School of Education & Information Studies
Henry Samueli School of Engineering & Applied Sciences
John E. Anderson Graduate School of Management
Meyer and Renee Luskin School of Public Affairs
School of Law
School of the Arts and Architecture
School of Theater, Film, and Television
Herb Alpert School of Music

Basic Biomedical Sciences

Letters and Science: Basic Biomedical Sciences
Medicine: Basic Biomedical Sciences

During the 2017-18 academic year, UCLA offered approximately 7,200 different undergraduate and graduate courses in 181 subject areas, producing more than 425,000 enrollments in primary classes and 210,000 enrollments in laboratory and discussion sections over the course of the year. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 6,500 research projects are being conducted on campus at any given time. For 2018, UCLA expenditures for research were approximately $848 million. UCLA placed among the nation's top public and private research universities in the most recently available ranking found in the Center for Measuring University Performance. This ranking was based on the number of competitively awarded research grants and contracts, faculty membership in the National Academies, faculty awards, the number of doctorates awarded, and other factors relating to research.

UCLA Extension offers the public more than 5,000 continuing education courses annually, covering professional and career development, academic enrichment, and personal growth. These courses attract around 33,000 individual students from the many communities of Southern California and beyond.

UCLA employed over 48,500 faculty, administrators and staff (including casual and student employees), filling approximately 38,000 full-time-equivalent positions, and spent $5.0 billion in compensation costs for the fiscal year ended June 30, 2018. UCLA's employees are distinguished for their contributions to education, research, and public service.

Distinguished honors and awards to UCLA alumni and faculty include:

- Three alumni awarded Nobel Prizes for chemistry (1951, 1984, 2010), two for economics (1990, 2009), one for physiology or medicine (2013), and one for peace (1950)
- Four faculty members awarded Nobel Prizes for chemistry (1960, 1987, 1997, 2016), one for physics (1965), one for physiology or medicine (1998), and one for economic sciences (2012)
- Eleven alumni awarded Rhodes Scholarships (1936, 1948, 1955, 1962, 1969, 1971, 1973, 1997, 2009, 2010)
- Nine faculty members awarded the President's National Medal of Science from the National Science Foundation (1964, 1966, 1970, 1989, 1993, 1994, 1996, 2000, 2007)
- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Three alumni, two faculty, and one staff members awarded the Presidential Medal of Freedom (1963, 1984, 1993, 2000, 2003)

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer Museum, and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

During the fiscal year 2018, UCLA's on-campus physical plant included 2 on-campus buildings under construction, along with 222 existing buildings. Off campus, UCLA owns or manages 143 buildings and has 204 existing leases for various programmatic activities. UCLA has 26 libraries, housing more than 12 million volumes, a cogeneration power plant, the Luskin Conference Center, the UCLA Conference Center at Lake Arrowhead, on-campus student housing for more than 11,000 undergraduates, off-campus student and faculty apartments, and more.

UCLA Health System is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the many UCLA Faculty Practice Groups. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. According to U.S. News and World Report's America's Best Hospital Honor Roll, UCLA Health ranks as one of the top seven hospitals in the nation. It is nationally ranked in 14 adult and 8 pediatric specialties and rated high performing in 7 adult procedures and conditions. The UCLA Medical Center comprises the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at http://www.uclahealth.org/.

Key Operating metrics for the UCLA Medical Center for the fiscal years ended June 30 are as follows:

			Increase / (Decrease)	
	2018	**2017**	**Amount**	**%**
Operating Statistics				
Licensed beds	784	784		
Admissions	40,438	40,966	(528)	(1.3)%
Average daily census	729	741	(12)	(1.6)%
Discharges	40,526	40,979	(453)	(1.1)%
Average length of stay	6.6	6.6		
Patient days	266,020	270,550	(4,530)	(1.7)%
Case mix index	2.03	2.00	0.03	1.5%
Outpatient visits	775,952	776,341	(389)	(0.1)%
Outpatient Visits				
Hospitals and clinics	693,053	695,529	(2,476)	(0.4)%
Emergency visits	82,899	80,812	2,087	2.6%
Total	**775,952**	**776,341**	**(389)**	**(0.1)%**

An overview – The following table reflects the composition of UCLA for 2018, listing enrollment figures, full-time-equivalent employee figures, and operating expenses by organization.

(in millions of dollars)	Undergraduates	Graduates, Interns and Residents	Full Time Equivalent (Includes Students)	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**		**Operating Expenses**		
College of Letters and Science	25,922	2,830	3,780	$354	$137	$112	$603
School of the Arts and Architecture	616	297	497	36	14	19	69
School of Dentistry		427	390	40	14	21	75
School of Education & Information Studies		839	488	39	16	21	76
School of Engineering and Applied Science	3,619	2,260	908	88	35	43	166
School of Law		1,151	313	41	13	31	85
School of Management		2,261	462	64	19	49	132
School of Medicine		2,308	8,846	1,107	323	586	2,016
School of Nursing	189	415	160	14	5	6	25
School of Public Affairs		533	181	19	6	14	39
School of Public Health		591	330	33	13	24	70
School of Theater, Film and Television	360	368	307	23	9	9	41
Basic Biomedical Sciences		4	185	17	5	15	37
School of Music	296	142	160	16	6	4	26
Neuropsychiatric Hospital			372	39	16	13	68
Semel Institute			795	70	26	38	134
Medical Center			10,159	976	397	888	2,261
University Extension			34	41	15	50	106
All Others			9,986	689	274	188	1,151
Subtotal Organizations	31,002	14,426	38,353	3,706	1,343	2,131	7,180
Depreciation Expense						389	389
Other Operational Expenditures						34	34
Total	**31,002**	**14,426**	**38,353**	**$3,706**	**$1,343**	**$2,554**	**$7,603**

The Statement of Net Position presents UCLA's financial position at the end of each fiscal year. It displays all of UCLA's assets, deferred outflows, liabilities, and deferred inflows. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position.

THE CAMPUS' FINANCIAL POSITION *(in millions of dollars)*

The major components of the assets, deferred outflows, liabilities, deferred inflows, and net position as of June 30, 2018, 2017, and 2016 are as follows:

Assets, deferred outflows & inflows, liabilities, net position

(in millions of dollars)	**2018**	**2017**	**2016**
ASSETS			
Investments	$6,055	$5,934	$5,797
Accounts receivable, net	865	922	714
Capital assets, net	6,237	6,179	6,067
Other assets	300	267	262
Total assets	**13,457**	**13,302**	**12,840**
DEFERRED OUTFLOWS OF RESOURCES	**1,151**	**1,368**	**2,351**
LIABILITIES			
Debt, including commercial paper	3,544	3,653	3,655
Net pension liability, including pension payable to UCOP	3,118	3,269	4,200
Net retiree health benefits liability	4,254	4,354	4,884
Other liabilities	1,504	1,459	1,455
Total liabilities	**12,420**	**12,735**	**14,194**
DEFERRED INFLOWS OF RESOURCES	**1,869**	**1,852**	**1,235**
NET POSITION			
Net investment in capital assets	3,120	2,951	2,759
Restricted:			
Nonexpendable	299	283	266
Expendable	1,840	1,363	1,690
Unrestricted	(4,940)	(4,514)	(4,953)
Total net position	**$319**	**$83**	**$(238)**

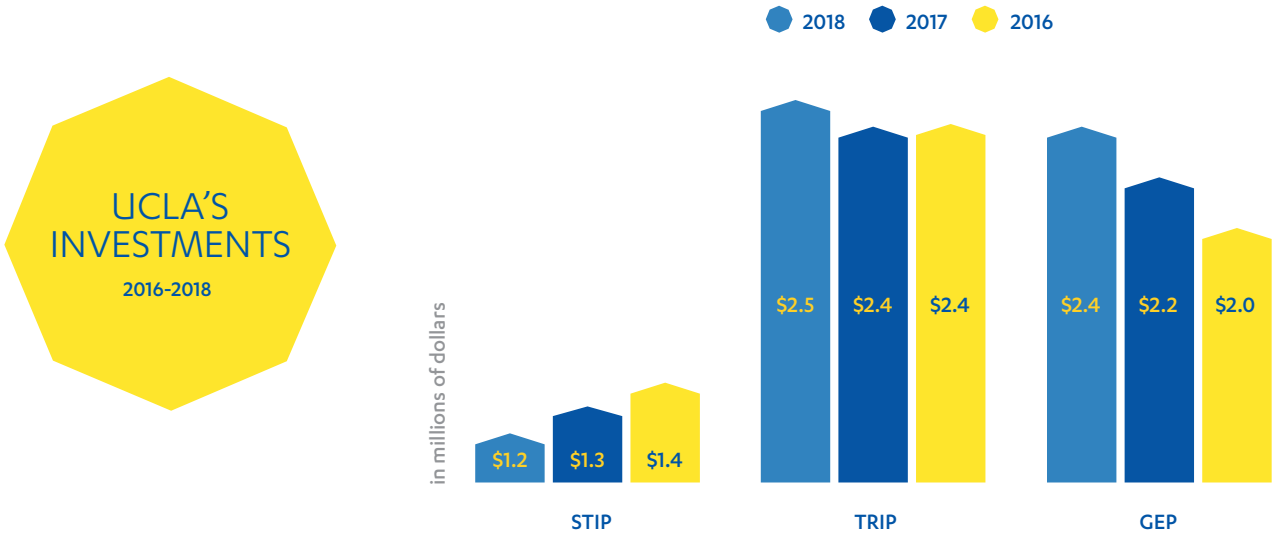
The campus' assets and deferred outflows

UCLA's total assets and deferred outflows have decreased to $14.6 billion in 2018, compared to $14.7 billion in 2017 and $15.2 billion in 2016. Deferred outflows have decreased primarily due to changes in UCLA's net pension and retiree health benefits liabilities. The decreases in both 2018 and 2017 were offset by an increase in capital assets due to continued investments in facilities in excess of depreciation and an increase in investments due to positive financial market returns.

Investments

Investments held by the University are principally carried in three investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP), and the General Endowment Pool (GEP). Cash for operations and bond proceeds for construction expenditures are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP seeks to maximize to a total return objective and is intended to supplement STIP. The University maximizes its use of TRIP while still maintaining sufficient funds in STIP to meet operational and liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California (The Regents) utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had a positive return of 8.9 percent in 2018, a positive return of 15.1 percent in 2017, and a negative return of 3.5 percent in 2016. TRIP had positive returns of 4.5 percent, 7.7 percent, and 0.3 percent in 2018, 2017, and 2016, respectively. STIP had positive returns of 1.6 percent, 1.3 percent, and 1.3 percent in 2018, 2017, and 2016, respectively.



Accounts receivable, net

Accounts receivable include amounts due from state and federal governments on contracts and grants, patient receivables for the Medical Center and professional fees, investment income, and amounts due for private grants and contracts. Receivables fluctuate based on the timing of collections.

Capital assets, net

UCLA's enrollment growth and continuing needs for renewal, modernization and seismic correction of existing facilities are the key drivers of capital investments. Capital spending continues at a brisk pace in order to provide the facilities necessary to support UCLA's teaching, research, and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, parking structures, and infrastructure projects. Total additions to capital assets were $455 million in 2018 as compared to $506 million in 2017 and $575 million in 2016. Completed buildings and improvements in 2018 include the Henry Samueli School of Engineering and Applied Sciences research laboratory building for $67 million, the Wasserman Football Performance Center for $64 million, the Mo Ostin Basketball Practice Facility for $30 million, the Center for the Health Sciences Seismic Correction and Fire Safety for $53 million, and the Geffen Academy for $28 million.

Major projects under construction include the Center for the Health Sciences: School of Medicine West Seismic Renovation with cumulative costs of $30 million as of FY 2018.

Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, and inventories.

Deferred outflows of resources

Changes in fair values of the University's interest rate swaps that are determined to be hedging derivatives, losses on debt refundings, and certain changes in the net pension and net retiree health benefits liabilities are reported as deferred outflows of resources. In 2018 and 2017, deferred outflows decreased due to higher than expected investment returns in the University of California Retirement Plan (UCRP) portfolio and an increase in the discount rate for the retiree health benefit liability.

The campus' liabilities and deferred inflows

UCLA's liabilities and deferred inflows of resources decreased to $14.3 billion in 2018 as compared to $14.6 billion in 2017 and $15.4 billion in 2016. The decreases in both 2018 and 2017 were primarily related to the decreases in the liabilities for pension and retiree health benefits.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including equity contributions, state support, gifts, revenue bonds, bank loans, and leases. Commercial paper and bank loans provide interim financing for capital assets during the construction period. Outstanding debt decreased by $109 million and $2 million in 2018 and 2017, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes $3 million, $80 million, and $125 million of commercial paper outstanding at the end of 2018, 2017, and 2016, respectively. Total debt outstanding was $3.5 billion at the end of 2018 compared to $3.7 billion at the end of 2017 and 2016.

In 2018, $301 million in General Revenue Bonds and $5 million in capital leases were issued to finance and refinance certain UCLA facilities and projects. Reductions to outstanding debt in 2018 were $480 million, including $194 million for one-time principal payments for the refinancing or refunding of previously outstanding debt, and $286 million in principal payments and amortizations.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA, and AA by Moody's Investors Service, Standard & Poor's, and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA-, and AA- by Moody's Investors Service, Standard & Poor's, and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings decreased by $77 million in 2018 compared to 2017, and decreased by $45 million in 2017 compared to 2016. Commercial paper is primarily used as interim financing for construction projects and short-term financing for other needs. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term revenue bonds. The University has various revolving credit agreements totaling $1.1 billion with major financial institutions for the purpose of providing additional liquidity for certain variable-rate bonds, commercial paper, and other liquidity needs.

Net pension liability and retiree health benefits

UCLA has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. UCLA's net pension liability was $2.2 billion, $2.4 billion, and $3.4 billion in 2018, 2017, and 2016, respectively. The changes in net pension liability for 2018 and 2017 were primarily driven by higher than expected investment returns on the UCRP investment portfolio. UCRP's total investment rate of return was positive 7.8 percent in 2018, positive 14.5 percent in 2017, and negative 2.0 percent in 2016. The discount rate used to estimate the net pension liability was 7.25 percent in 2018, 2017, and 2016.

UCLA's net retiree health benefits liability was $4.3 billion, $4.4 billion, and $4.9 billion, in 2018, 2017, and 2016, respectively. The University funds the retiree health benefits through the University of California Retiree Health Benefit Trust (UCRHBT) based on a projection of benefits on a pay-as-you-go basis and the assets in the trust are not sufficient to fund retiree health benefits. Therefore, the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate is used to discount the retiree health benefit liabilities. The changes in net retiree health benefits liability have been primarily driven by the changes in discount rates used to estimate the retiree health benefits liability. The discount rates as of June 30, 2018, 2017, and 2016 were 3.87 percent, 3.58 percent, and 2.85 percent, respectively. Additionally, health care cost increases in 2018 were lower than expected.

Other liabilities

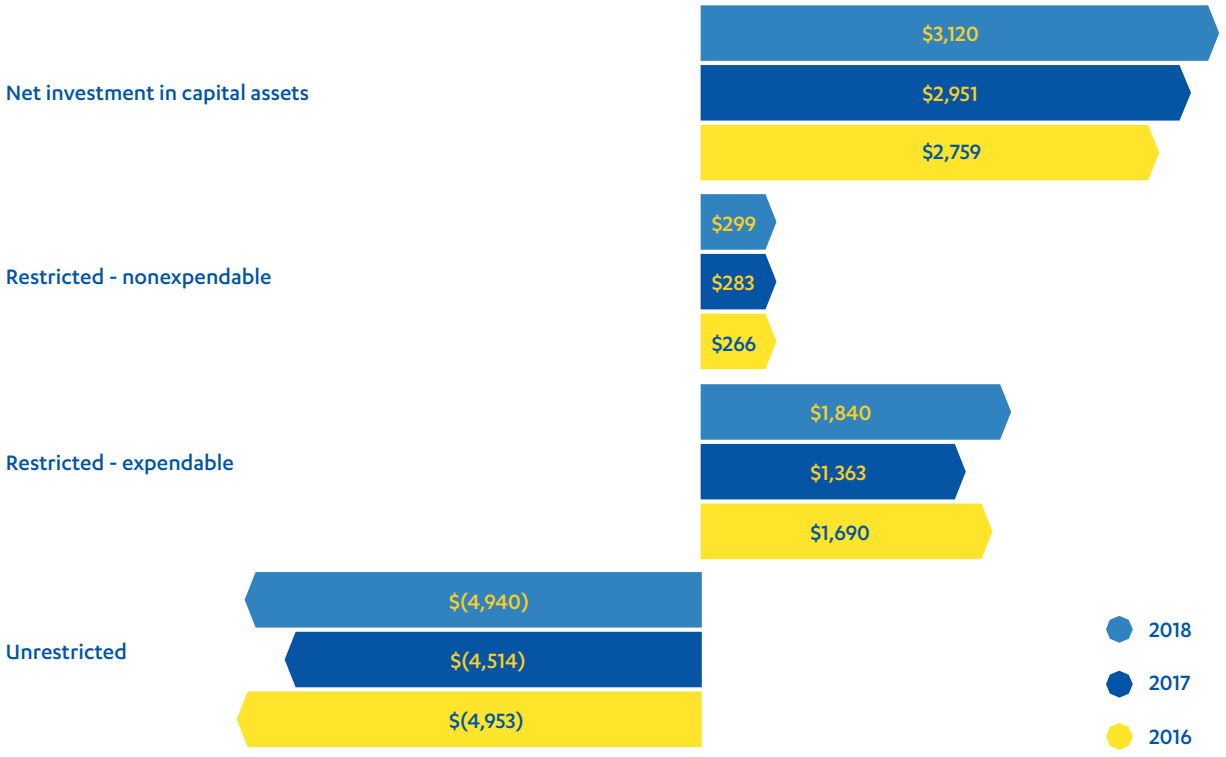
Other liabilities consist of accounts payable, accrued salaries, other employee benefits, unearned revenue, federal refundable loans, and self-insurance liabilities. Other liabilities were $1.5 billion for 2018, 2017, and 2016.

Deferred inflows of resources

Deferred inflows of resources are related to UCLA's gains on debt refundings, sales of certain future patent royalty revenues, and certain changes in the net pension and net retiree health benefits liabilities. Deferred inflows of resources increased in 2018 and 2017 primarily due to the decrease in the discount rate for estimating the net retiree health benefits liability.

THE CAMPUS' NET POSITION *(in millions of dollars)*

Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities and deferred inflows are deducted. UCLA's net position was $319 million in 2018, compared to $83 million in 2017 and negative $238 million in 2016. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.



Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and the related outstanding debt used to finance the acquisition, construction, or improvement of these capital assets, was $3.1 billion in 2018 compared to $3.0 billion in 2017 and $2.8 billion in 2016. UCLA continues to invest in its physical facilities, which are, in part, financed by debt, to support growth.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments. In 2018 and 2017, the increases in restricted nonexpendable net position were principally due to the receipt of new gifts.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects; and trustee-held investments. The increases or decreases in restricted, expendable funds are principally due to the timing of spending restricted gifts and endowment income and gains.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions

governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of the reserves are allocated for academic and research initiatives or programs, for capital projects, or for other purposes.

THE CAMPUS' RESULTS OF OPERATIONS

The Statement of Revenues, Expenses, and Changes in Net Position is a presentation of the campus' operating results and indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts, and investment income. A summarized comparison of the operating results for 2018, 2017, and 2016, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities, is as follows:

Operating Results 2016-2018

	Year Ended June 30, 2018			Year Ended June 30, 2017			Year Ended June 30, 2016		
(in millions of dollars)	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**
REVENUES									
Student tuition and fees, net	$845		$845	$818		$818	$782		$782
State educational appropriations		$448	448		$511	511		$500	500
Federal Pell Grants		57	57		50	50		50	50
Grants and contracts, net	1,016		1,016	948		948	931		931
Medical Center, net	2,415		2,415	2,403		2,403	2,264		2,264
Educational activities, net	1,705		1,705	1,549		1,549	1,371		1,371
Auxiliary enterprises, net	477		477	454		454	408		408
Private gifts, net		379	379		308	308		314	314
Investment income, net		116	116		101	101		105	105
Other revenues	216	12	228	309	14	323	187	62	249
Revenues supporting core activities	**6,674**	**1,012**	**7,686**	**6,481**	**984**	**7,465**	**5,943**	**1,031**	**6,974**
EXPENSES									
Salaries and benefits	5,049		5,049	5,095		5,095	5,087		5,087
Scholarships and fellowships	91		91	100		100	106		106
Utilities	57		57	54		54	53		53
Supplies and materials	947		947	848		848	797		797
Depreciation and amortization	389		389	375		375	364		364
Interest expense		134	134		138	138		139	139
Other expenses	1,070	40	1,110	1,103	28	1,131	1,095		1,095
Expenses associated with core activities	**7,603**	**174**	**7,777**	**7,575**	**166**	**7,741**	**7,502**	**139**	**7,641**
Income (loss) from core activities	**(929)**	**838**	**(91)**	**(1,094)**	**818**	**(276)**	**(1,559)**	**892**	**(667)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			191			364			(159)
Income (loss) before other changes in net position			**100**			**88**			**(826)**
OTHER CHANGES IN NET POSITION									
State capital appropriations						1			1
Capital gifts and grants, net			29			35			37
Permanent endowments			16			7			3
Transfers			91			190			173
Increase (decrease) in net position			**236**			**321**			**(612)**
NET POSITION									
Beginning of year			83			(238)			374
End of year			**$319**			**$83**			**$(238)**

REVENUES SUPPORTING CORE ACTIVITIES

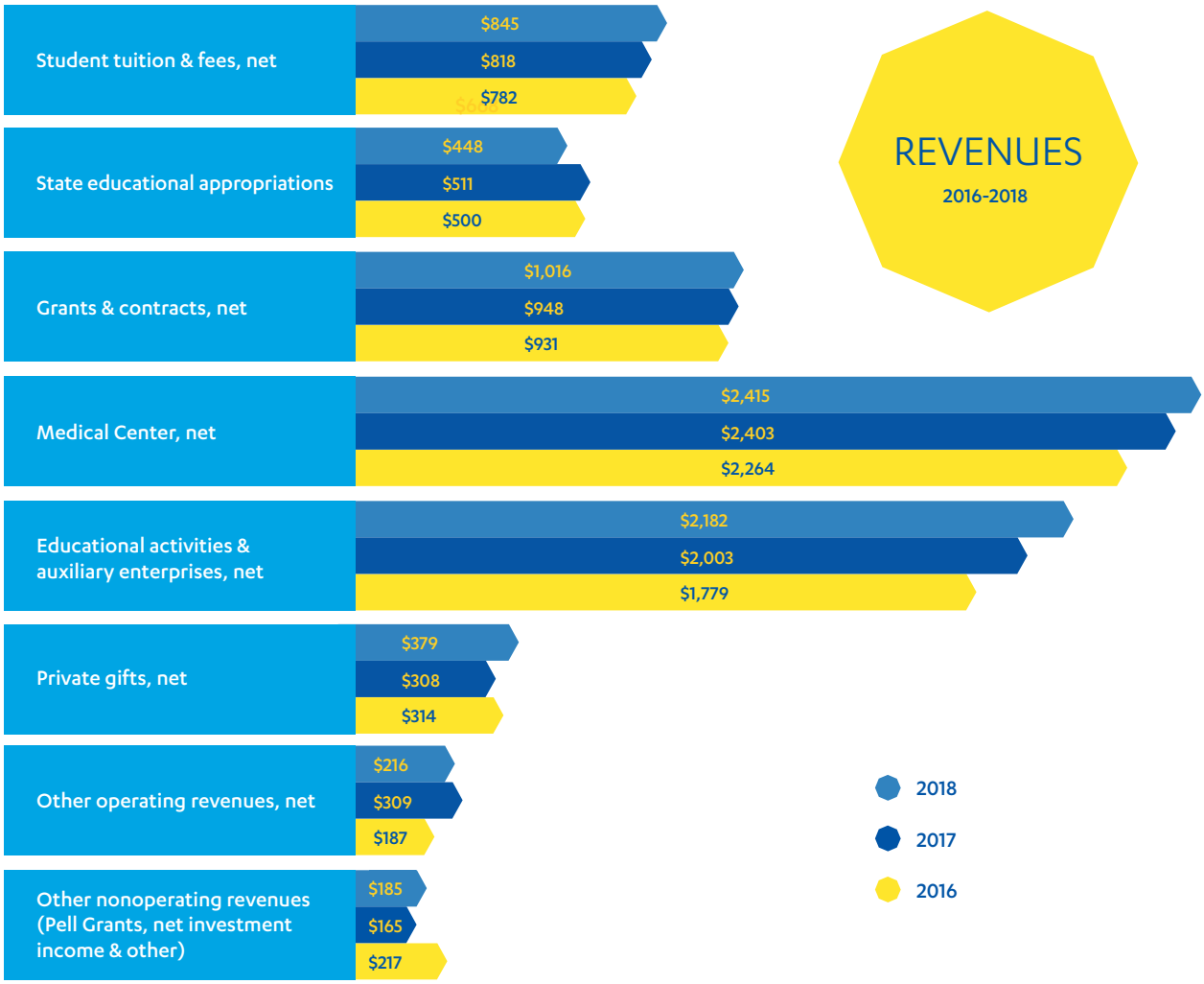
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, were $7.7 billion, $7.5 billion, and $7.0 billion in 2018, 2017, and 2016, respectively. These diversified sources of revenue increased by $221 million in 2018 and $491 million in 2017.

The state of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from the Medical Center, educational activities, and auxiliary enterprises such as student housing, food service operations, and parking.

Revenues in the various categories have changed as follows:

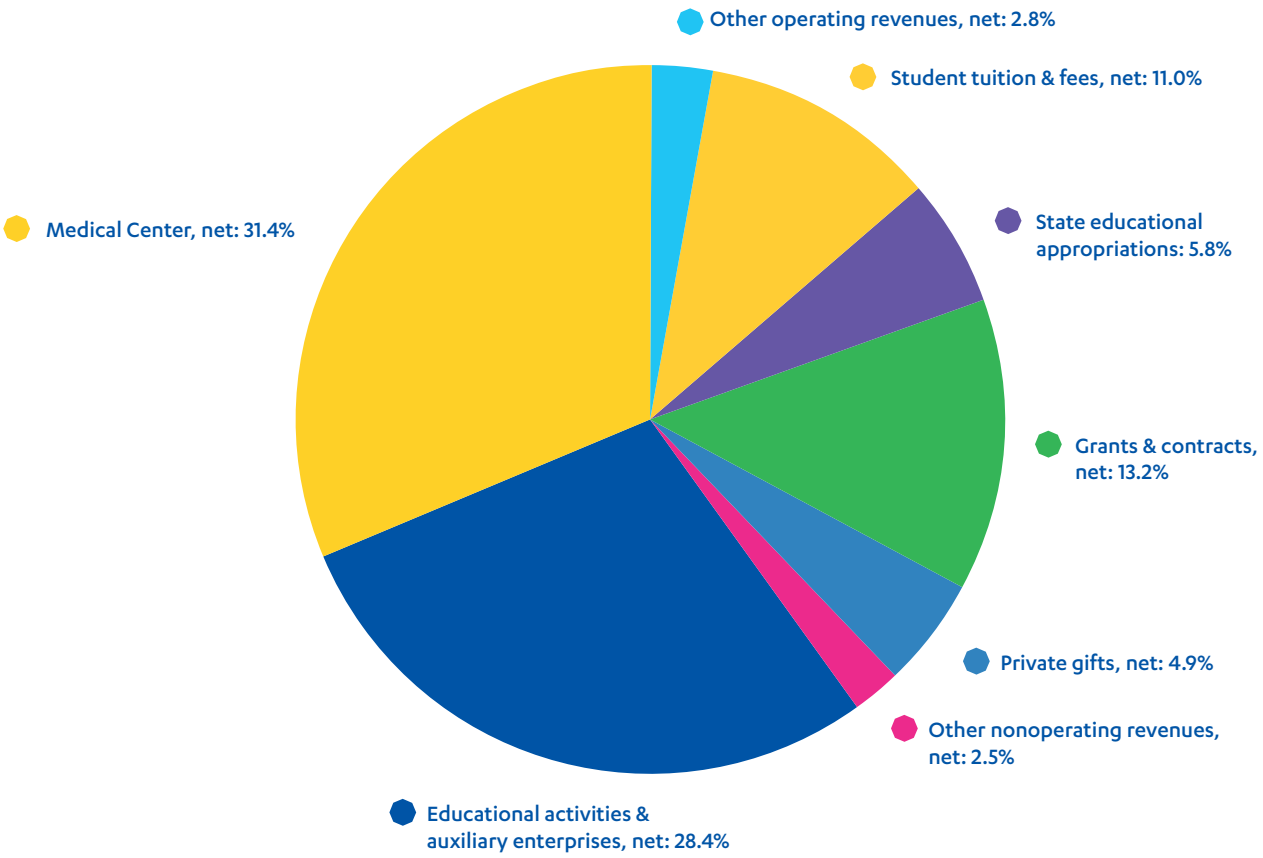
Revenues (in millions of dollars)



A major financial strength of UCLA is its diverse source of revenues, including those from student fees, federally sponsored grants and contracts, the Medical Center, the state of California, private support, and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that support UCLA's core activities in 2018 are as follows:

2018 Revenues (percent of total)



Student tuition and fees, net

Net student tuition and fees were $845 million, $818 million, and $782 million in 2018, 2017, and 2016, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student. Scholarship allowances of $247 million, $231 million, and $214 million in 2018, 2017, and 2016, respectively, were netted against student tuition and fees. Student tuition and fees, net of scholarship allowances, increased by $27 million and $36 million in 2018 and 2017, respectively, due to enrollment growth.

Student Tuition & Fees, Net

(in millions of dollars)	**2018**	**2017**	**2016**
Student tuition & fees	$954	$910	$855
Summer Sessions	52	50	49
University Extension	86	89	92
Scholarship allowance	(247)	(231)	(214)
Total	**$845**	**$818**	**$782**

In 2018, enrollment grew by 1.1 percent and in 2017 enrollment grew by 3.8 percent. Mandatory tuition for resident undergraduates increased 2.5 percent in 2018 and did not change in 2017. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplement tuition varies by discipline; certain increases were approved for 2018 and 2017.

State educational appropriations

Educational appropriations from the state of California were $448 million, $511 million, and $500 million in 2018, 2017, and 2016, respectively. State education appropriations decreased in 2018 by $63 million, and increased in 2017 by $11 million.

The budget framework agreed to with the governor in 2016 provided the University with base budget adjustments of four percent annually for 2016 through 2019. Additionally, the University also received $169 million, $171 million, and $96 million in 2018, 2017, and 2016, respectively, in one-time funds for UCRP. The final budget approved for 2019 included a base budget adjustment of three percent and $249 million in one-time funds.

Grants and contracts, net

Revenue from federal, state, private, and local government grants and contracts—including an overall facilities and administration cost recovery of $199 million, $189 million, and $183 million in 2018, 2017, and 2016, respectively—were $1,016 million, $948 million, and $931 million in 2018, 2017, and 2016, respectively.

Grants and Contracts

(in millions of dollars)	**2018**	**2017**	**2016**
Federal government	$602	$589	$586
State agencies	80	56	47
Private industries	273	241	232
Local government	61	62	66
Total	**$1,016**	**$948**	**$931**

In 2018, federal grants and contracts revenue increased $13 million, or 2.2 percent, as compared to 2017. In 2017, federal grants and contracts revenue increased $3 million, or 0.5 percent, as compared to 2016. Federal grants and contracts include federal facilities and administrative cost recovery of $140 million, $136 million, and $137 million in 2018, 2017, and 2016, respectively. Changes in the federal budget impact the University's growth in federal grants and contracts.

Medical Center, net

Medical center revenues, net of allowances, increased $12 million, or 0.4 percent, in 2018 and increased $139 million, or 6.1 percent, in 2017. Revenues increased in 2018 due to an increase in clinical laboratory revenue and additional supplemental funding. Revenues increased in 2017 due to an increase in third-party settlements and additional supplemental funding.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $156 million, or 10.1 percent, in 2018 and $178 million, or 13.0 percent, in 2017. The growth is generally associated with an expanded patient base and improved collections.

Auxiliary enterprises include housing, food service, parking, bookstores, student centers, unions, and child care centers. Revenue from auxiliary enterprises, net of allowances, increased by $23 million, or 5.2 percent, in 2018 and increased by $46 million, or 11.2 percent, in 2017. Auxiliary revenues increased consistent with enrollment.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

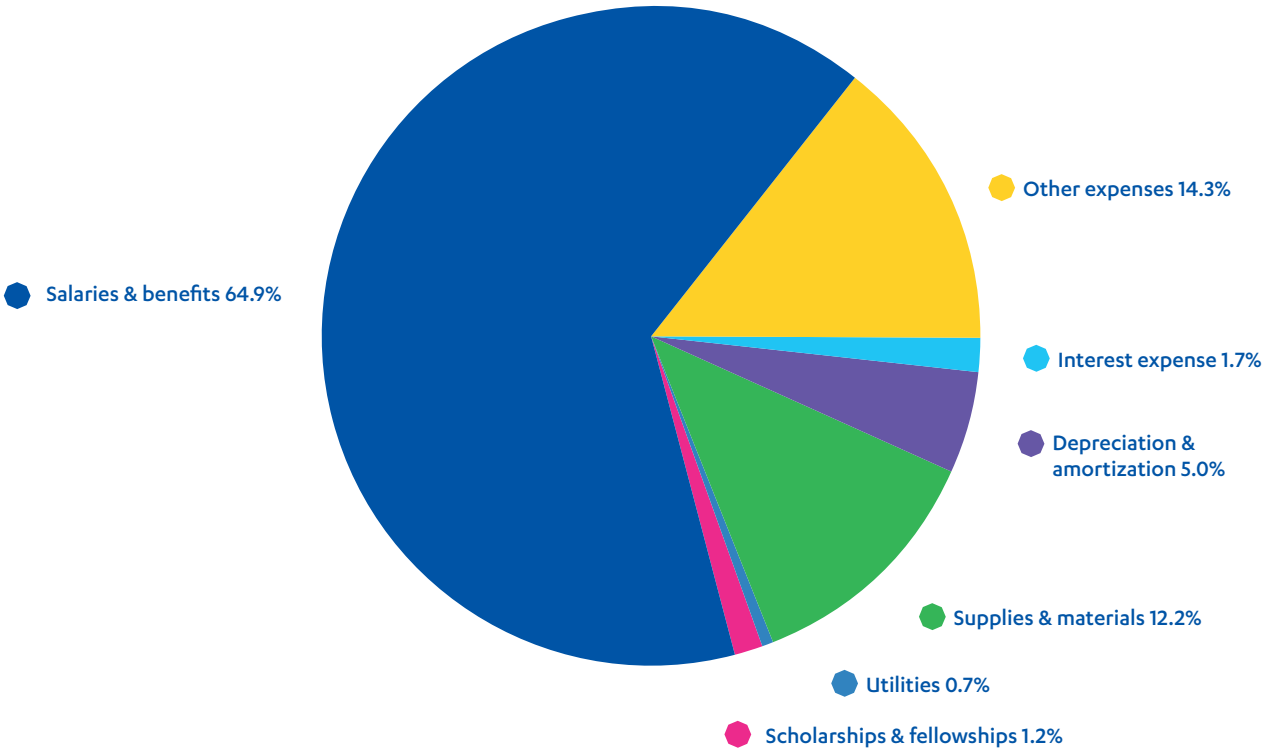
Expenses associated with UCLA's core activities, including those classified as nonoperating expenses, were $7.8 billion, $7.7 billion, and $7.6 billion in 2018, 2017, and 2016, respectively. Expenses increased in 2018 by $36 million and increased in 2017 by $100 million, primarily due to growth in UCLA's operations. Pension expenses decreased in 2018 and 2017 as a result of higher actual investment returns as compared to expected earnings on the UCRP portfolio. Retiree health benefits expenses also decreased in 2018 and 2017 as a result of increases in the discount rate used to estimate the retiree health liabilities.

Expenses in the various categories are as follows:

Expenses (in millions of dollars)

Categories of both operating and nonoperating expenses related to UCLA's core activities in 2018 are as follows:

2018 Expenditures (percent of total)



Salaries and benefits

Approximately 64.9 percent of UCLA's expenses were related to salaries and benefits.

Salaries and benefits decreased by 0.9 percent in 2018. In 2018, salaries increased by 4.0 percent, primarily due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $32 million, or 4.5 percent, in 2018, due to higher health insurance costs. Pension expense decreased by $156 million, or 33.3 percent, due to better than expected investment returns. Retiree health expense decreased by $66 million or 17.9 percent due to the higher discount rate in 2018.

Salaries and benefits increased by 0.2 percent in 2017. In 2017, salaries increased by 8.6 percent, 4.1 percent due to an increase in the number of FTEs and 4.5 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by $30 million, or 4.4 percent in 2017, due to higher health insurance costs. Pension expense decreased by $208 million, or 30.7 percent, due to better than expected investment returns. Retiree health expense increased by $96 million, or 20.8 percent, due to the higher discount rate in 2017.

Scholarships and fellowships

UCLA places a high priority on student financial aid as part of its commitment to affordability. Scholarship allowances, representing financial aid and fee waivers awarded by UCLA, were $379 million, $374 million, and $359 million in 2018, 2017, and 2016, respectively. Scholarships and fellowships, representing payments of financial aid made directly to students and reported as an operating expense, were $91 million, $100 million, and $106 million in 2018, 2017, and 2016, respectively.

On a combined basis, as UCLA continues its commitment to provide financial support for needy students, financial aid in all forms increased by $5 million, or 1.3 percent, in 2018 as compared to 2017, and by $15 million, or 4.2 percent, in 2017 compared to 2016.

Supplies and materials

During 2018 and 2017, supplies and materials increased by $99 million, or 11.7 percent, and $51 million, or 6.3 percent, respectively. The largest increases occurred at the Medical Center. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded medical patient volumes. UCLA continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, legal settlements, and repairs and maintenance, plus any gain or loss on disposals of capital assets and other nonoperating expenses.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $0.9 billion, $1.1 billion, and $1.6 billion in 2018, 2017, and 2016, respectively. The operating losses in 2018, 2017, and 2016 were offset by $838 million, $818 million, and $892 million, respectively, of net nonoperating revenue that supports core operating activities of UCLA. In 2018, 2017, and 2016, expenses exceeded revenue available to support core activities by $91 million, $276 million, and $667 million, respectively.

Other nonoperating activities

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to support operating expenses. In 2018, 2017, and 2016, UCLA recognized net appreciation in the fair value of investments of $191 million, net appreciation of $364 million, and net depreciation of $159 million, respectively. The University's portfolio experienced positive returns in the equity markets in 2018 and 2017, as compared with negative returns in 2016.

Other changes in net position

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program.

THE CAMPUS' CASH FLOWS

The Statement of Cash Flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2018 and 2017 is as follows:

The Campus' Cash Flows

Cash flows *(in millions of dollars)*	**2018**	**2017**	**Change**
Cash received from operations	$6,664	$6,394	$270
Cash payments for operations	(7,115)	(7,025)	(90)
Net cash used by operating activities	**(451)**	**(631)**	**180**
Net cash provided by noncapital financing activities	939	895	44
Net cash provided by operating and noncapital financing activities	**488**	**264**	**224**
Net cash used by capital and related financing activities	(618)	(527)	(91)
Net cash provided by investing activities	21	114	(93)
Net decrease in cash and cash equivalent	**(109)**	**(149)**	**40**
Cash and cash equivalent, beginning of year	1,278	1,427	(149)
Cash and cash equivalent, end of year	**$1,169**	**$1,278**	**$(109)**

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between $488 million and $264 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, and private gifts and grants.

Net cash of $618 million was used in 2018 for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations, and gifts for capital purposes.

The year-to-year change in cash provided by investing activities is largely the result of routine timing of investment purchases, sales and, to a lesser extent, investment income.

LOOKING FORWARD

UCLA, as part of the University of California system, is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal, and private funding and promotes discovery of new knowledge that fuels economic growth.

The budget framework agreed to with the governor in 2016 provided the University with base budget adjustments of four percent annually from 2016 through 2019. The final budget approved for 2019 included a base budget adjustment of three percent and $248.8 million in one-time funds. The framework also called for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The Student Services Fee increased five percent in 2016 and each year thereafter with the customary one-third of the increase being directed to financial

aid. Fifty percent of the remaining revenue generated from the increase will be used to enhance student mental health services and the remaining 50 percent will be distributed to support other student services programs. The framework also acknowledged the University's plan for moderate increases in nonresident supplemental tuition. The framework also called for no increases in law school tuition through 2019. In addition to these funding elements, the budget framework included a number of performance-related provisions.

UCLA remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over two-thirds of the University's federal research revenue comes from two agencies, the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, Department of Defense, the National Aeronautics and Space Administration, and the Department of Energy. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

The UCLA Medical Center has a positive operating margin, although it continues to face financial and competitive challenges in its regional markets, along with the added costs and responsibilities related to its function as an academic institution. The cost of providing health care services continues to increase significantly. In addition to the rising costs of salaries, benefits, and medical supplies, along with the costs of maintaining and upgrading facilities, UCLA's Medical Center also faces additional costs associated with seismic retrofitting, new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the Medical Center.

UCLA must have a balanced array of many categories of facilities to meet its education, research, and public service goals and continues to assess its long-term capital requirements. Support for UCLA's capital program is expected to be provided from a combination of sources, including the state of California, external financing, gifts, and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the California Department of Finance at http://www.dof.ca.gov.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

TRANSMITTAL LETTER

The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal years ended June 30, 2018 and 2017.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundation."

Respectfully submitted,

Allison Baird-James
Associate Vice Chancellor/Controller
Corporate Financial Services

FINANCIAL STATEMENTS

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF NET POSITION (UNAUDITED)

	Campus		Foundation	
At June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
ASSETS				
Cash	$16,290	$13,544	$4,599	$5,279
Short-term investments	1,152,597	1,264,806	596,625	381,986
Investments held by trustees	167	168		
Accounts receivable, net	865,434	922,007	5,267	32,830
Pledges receivable, net	5,217	3,913	79,368	69,897
Current portion of notes and mortgages receivable, net	7,142	6,600		
Inventories	62,053	57,815		
Other current assets	85,297	67,730		
Current Assets	**2,194,197**	**2,336,583**	**685,859**	**489,992**
Investments	4,902,079	4,669,008	2,431,456	2,170,920
Investments held by trustees	759	751		
Pledges receivable, net	5,399	7,225	421,994	382,630
Notes and mortgages receivable, net	75,713	77,106		
Capital assets, net	6,237,446	6,179,054		
Other noncurrent assets	41,164	32,064	17,291	17,666
Noncurrent assets	**11,262,560**	**10,965,208**	**2,870,741**	**2,571,216**
Total Assets	**13,456,757**	**13,301,791**	**3,556,600**	**3,061,208**
DEFERRED OUTFLOWS OF RESOURCES	**1,150,918**	**1,367,636**		
LIABILITIES				
Accounts payable	500,050	467,914	9,731	9,572
Accrued salaries and benefits	172,939	157,183		
Unearned revenue	341,793	340,537	5,510	261
Commercial paper	3,395	79,876		
Current portion of long-term debt	229,632	373,351		
Funds held for others			276,717	244,355
Other current liabilities	215,449	173,410	4,302	4,040
Current liabilities	**1,463,258**	**1,592,271**	**296,260**	**258,228**
Federal refundable loans	62,726	63,457		
Obligations under life income agreements			32,680	32,449
Long-term debt	3,310,581	3,199,286		
Net pension liability	2,203,372	2,364,962		
Pension payable to UCOP	914,728	904,153		
Net retiree health benefits liability	4,253,667	4,354,001		
Other noncurrent liabilities	212,234	256,537		
Noncurrent liabilities	**10,957,308**	**11,142,396**	**32,680**	**32,449**
Total liabilities	**12,420,566**	**12,734,667**	**328,940**	**290,677**
DEFERRED INFLOWS OF RESOURCES	**1,868,529**	**1,851,601**	**50,826**	**47,326**
NET POSITION				
Net investment in capital assets	**3,120,306**	**2,950,773**		
Restricted:				
Nonexpendable: endowments and gifts	297,959	282,056	1,191,701	1,098,820
Nonexpendable: annuity and life income funds	967	1,163		
Expendable: endowments and gifts	1,529,456	1,394,915	1,592,377	1,466,932
Expendable: other, including debt service, loans, capital projects, and appropriations	309,829	(31,385)		
Unrestricted	**(4,939,937)**	**(4,514,363)**	**392,756**	**157,453**
Total net position	**$318,580**	**$83,159**	**$3,176,834**	**$2,723,205**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION (UNAUDITED)

	Campus		Foundation	
Years ended June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
OPERATING REVENUES				
Student tuition and fees, net	$844,592	$818,257		
Grants and contracts, net:				
Federal	601,936	588,609		
State	80,420	55,982		
Private	272,503	241,527		
Local	61,539	62,259		
Medical Center, net	2,415,034	2,403,157		
Educational activities, net	1,705,043	1,548,596		
Auxiliary enterprises, net	477,307	453,641		
Foundation private gifts			$525,437	$302,700
Other operating revenues, net	216,181	309,115	86	78
Total operating revenues	**6,674,555**	**6,481,143**	**525,523**	**302,778**
OPERATING EXPENSES				
Salaries and wages	3,705,614	3,561,504		
Pension benefits	312,256	468,364		
Retiree health benefits	301,427	367,136		
Other employee benefits	729,709	698,207		
Supplies and materials	947,015	847,521		
Depreciation and amortization	388,870	374,672		
Scholarships and fellowships	91,206	100,099		
Utilities	57,139	53,741		
Foundation grants			317,740	255,143
Other operating expenses	1,069,992	1,103,795	36,815	37,013
Total operating expenses	**7,603,228**	**7,575,039**	**354,555**	**292,156**
Operating income (loss)	**(928,673)**	**(1,093,896)**	**170,968**	**10,622**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	448,284	510,684		
Build America Bonds federal interest subsidies	10,157	10,344		
State hospital fee grant	1,109	2,229		
Federal Pell Grants	56,879	50,314		
Private gifts, net	378,856	308,100		
Investment income:				
Short Term Investment Pool	68,590	57,731		
Endowment, net	47,258	42,940		
Foundation			17,573	17,511
Net appreciation in fair value of investments	190,659	363,986	185,193	242,760
Interest expense	(134,078)	(137,725)		
Gain (loss) on disposal of capital assets	(7,149)	1,109		
Other nonoperating expenses	(31,772)	(26,968)		
Net nonoperating revenues	**1,028,793**	**1,182,744**	**202,766**	**260,271**
Income before other changes in net position	**100,120**	**88,848**	**373,734**	**270,893**
OTHER CHANGES IN NET POSITION				
State capital appropriations		989		
Capital gifts and grants, net	28,385	34,577		
Permanent endowments	15,918	6,639	79,895	69,673
Transfers	90,998	189,733		
Increase in net position	**235,421**	**320,786**	**453,629**	**340,566**
NET POSITION				
Beginning of year, as previously reported	83,159	(237,627)	2,723,205	2,411,412
Cumulative effect of accounting changes				(28,773)
Beginning of year, restated	83,159	(237,627)	2,723,205	2,382,639
End of year	**$318,580**	**$83,159**	**$3,176,834**	**$2,723,205**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
TRANSFERS (UNAUDITED)

	Campus	
Years ended June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**
Due to intercampus	$(82,005)	$(205,293)
Unexpended plant	(73,735)	233,088
Retirement of indebtedness	64,885	(217,849)
Investment in plant:		
Intrafund transfer assets		(43)
Intrafund transfer depreciation	7	507
Loan	(150)	(143)
Total Transfers	**$(90,998)**	**$(189,733)**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (UNAUDITED)

	Campus		Foundation	
Years ended June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$846,044	$809,831		
Grants and contracts	978,195	944,158		
Medical Center	2,395,423	2,371,598		
Educational activities	1,693,521	1,543,424		
Auxiliary enterprises	489,625	449,879		
Collection of loans from students and employees	14,137	13,599		
Private gifts received by foundations			$457,412	$260,591
Payments to employees	(3,707,966)	(3,610,277)		
Payments for pension benefits	(491,445)	(618,069)		
Payments for retiree health benefits	(78,622)	(76,488)		
Payments for other employee benefits	(747,093)	(714,819)		
Payments to suppliers and utilities	(1,985,552)	(1,890,015)		
Payments for scholarships and fellowships	(91,206)	(100,099)		
Loans issued to students and employees	(12,998)	(15,509)		
Foundation operating expenses and grants to campus			(354,935)	(289,867)
Other receipts (payments)	194,193	57,329	13,816	(10,294)
Transfers - intercampus	52,591	204,552		
Net cash provided (used) by operating activities	**(451,153)**	**(630,906)**	**116,293**	**(39,570)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	448,284	510,684		
Federal Pell Grants	56,879	50,314		
State hospital fee grants	1,109	2,229		
Gifts received for other than capital purposes:				
Private gifts for endowment purposes			67,843	51,395
Other private gifts	379,378	309,753		
Other receipts (payments)	15,719	(31,901)		
Transfers - intercampus	37,780	54,278		
Net cash provided by noncapital financing activities	**939,149**	**895,357**	**67,843**	**51,395**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing:				
Proceeds from issuance	36,017	39,740		
Payments of principal	(112,499)	(84,550)		
Interest paid	(870)	(1,120)		
State capital appropriations	183	805		
Build America Bonds federal interest subsidies	10,281	10,344		
Capital gifts and grants	43,790	59,622		
Proceeds from debt issuance	433,993	418,099		
Proceeds from the sale of capital assets		16,842		
Purchases of capital assets	(441,266)	(464,885)		
Refinancing or prepayment of outstanding debt	(193,503)	(281,123)		
Scheduled principal paid on debt and capital leases	(272,913)	(94,776)		
Interest paid on debt and capital leases	(143,631)	(142,330)		
Transfers - intercampus	22,096	(3,323)		
Net cash used by capital and related financing activities	**(618,322)**	**(526,655)**		
CASH FLOWS FROM INVESTING ACTIVITIES				
Net (purchases) / proceeds from sales and maturities of investments	(47,324)	62,462	(202,538)	(29,521)
Investment income, net of investment expenses	68,187	50,818	17,722	17,399
Net cash provided (used) by investing activities	**20,863**	**113,280**	**(184,816)**	**(12,122)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(109,463)**	**(148,924)**	**(680)**	**(297)**
Cash and cash equivalents, beginning of year	1,278,350	1,427,274	5,279	5,576
Cash and cash equivalents, end of year	**$1,168,887**	**$1,278,350**	**$4,599**	**$5,279**

See accompanying Notes to Financial Statements

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF CASH FLOWS (CONTINUED)

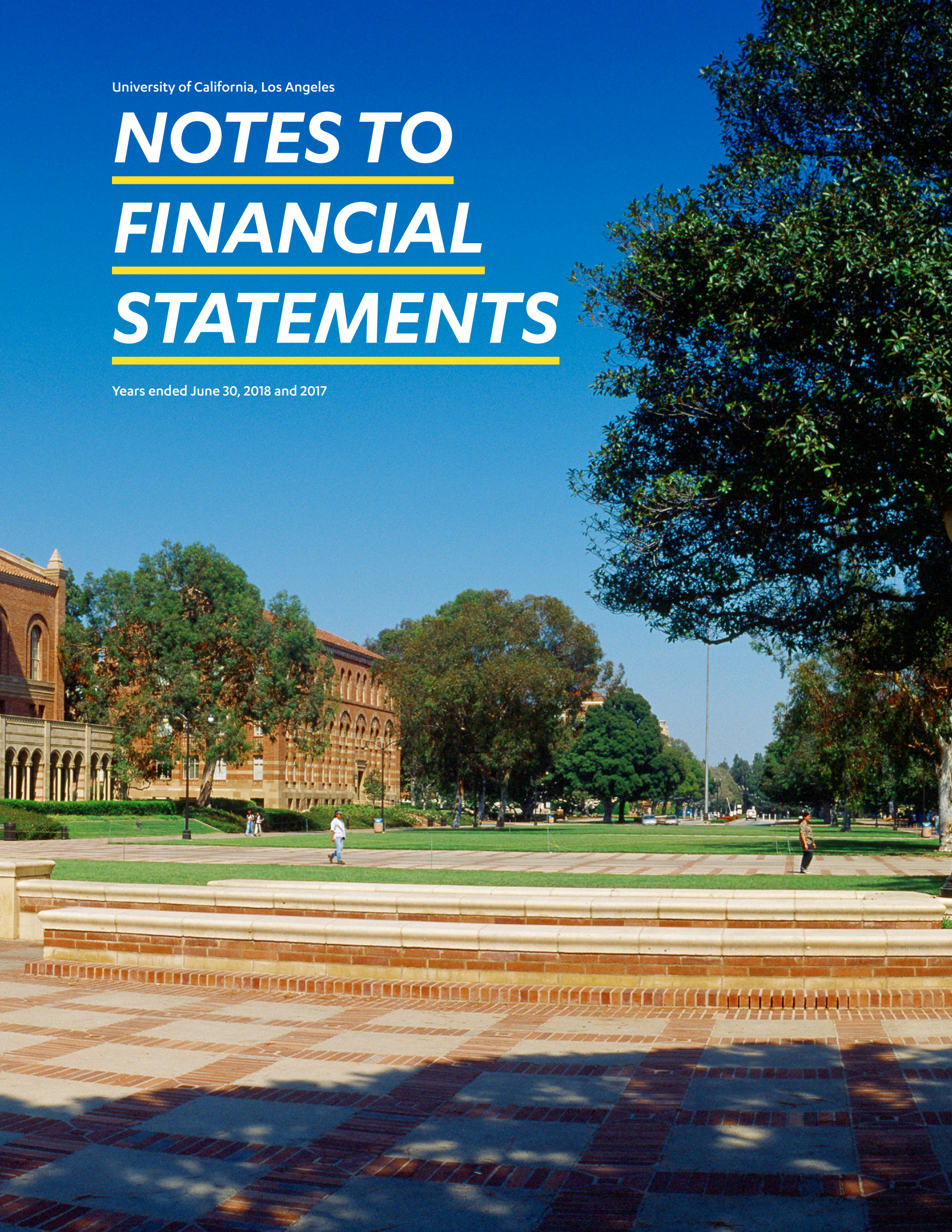
	Campus		Foundation	
Years ended June 30, 2018 and 2017 (in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Cash and cash equivalents are comprised of the followings:				
Cash	$16,290	$13,544	$4,599	$5,279
Short-term investments	1,152,597	1,264,806		
Cash and cash equivalents Total	**$1,168,887**	**$1,278,350**	**$4,599**	**$5,279**
Reconciliation of Operating Income (Loss) to Net Cash Used by Operating Activities				
Operating income (loss)	$(928,673)	$(1,093,896)	$170,968	$10,622
Adjustments to reconcile operating income (loss) to net cash used by operating activities:				
Depreciation and amortization expense	388,870	374,672		
Noncash gifts			(27,311)	(63,360)
Allowance for uncollectible accounts	34,218	25,724	6,599	9,834
Loss on impairment of capital assets	456	2,305		
Change in assets and liabilities				
Investments			(1,186)	8,314
Accounts receivable	61,198	(203,397)	6,643	(1,208)
Pledges receivable			(55,433)	12,534
Investments held by trustees	1	4		
Inventories	(4,239)	(3,497)		
Deferred charges	(17,567)	(9,129)		
Other assets	(9,100)			
Accounts payable	10,019	56,242	(196)	2,236
Accrued salaries and benefits	15,755	(90,428)		
Unearned revenue	1,256	44,274	4,916	
Annuities payable			(432)	(2,202)
Liabilities to life beneficiaries			(349)	(1,766)
Net pension liability	(188,510)	(136,117)		
Net retiree health benefits liability	199,894	270,295		
Other liabilities	(14,731)	132,042	12,074	(14,574)
Net cash provided (used) by operating activities	**$(451,153)**	**$(630,906)**	**$116,293**	**$(39,570)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$5,371	$32,218		
Change in fair value of interest rate swaps classified as hedging derivatives	12,870	27,065		
Gifts of capital assets	5,425	5,192		
Gifts of securities and real property - operating			$27,311	$63,314
Gifts of securities and real property - for endowment purposes			12,452	18,328
Noncash gifts for Foundation-administered irrevocable split interest agreements			245	4,214
Beneficial interests in irrevocable split interest agreements administered by third-parties			1,406	

See accompanying Notes to Financial Statements

University of California, Los Angeles

NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2018 and 2017



ORGANIZATION

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation, "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's basic financial statements as a component unit.

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system. The financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subjected to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus have not been individually audited.

The Associated Students of UCLA (ASUCLA)'s financial data for the fiscal years ended June 30, 2018 and 2017 has been included in the financial statements in order to reflect total financial activity of the UCLA campus. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging voluntary private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. The economic resources received or held by the foundations are entirely for the benefit of the campus. Because of the nature and significance of their relationship with the University, including their ongoing financial support, the campus foundations are reported under Governmental Accounting Standards Board (GASB) requirements as discretely presented component units of the campus.

Significant Accounting Policies

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was implemented by the University as of July 1, 2017. The Statement establishes standards for accounting and financial reporting for irrevocable split-interest agreements. The Statement requires that the University recognize assets, liabilities, and deferred inflows for split-interest agreements administered by the University at the inception of the agreement. The Statement also requires the University to recognize assets and deferred inflows representing its beneficial interests in irrevocable split-interest agreements that are administered by third parties. The Statement requires the University to recognize revenue when the resources become available to spend. Irrevocable Split-Interest Agreements related to UCLA are included in the financial statements of the University.

The adoption of Statement No. 81 did not result in any adjustments to the financial statements of the University of California Retirement System (UCRS).

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*, effective for the University's fiscal year beginning July 1, 2017. The Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits. Implementation of Statement No. 85 had no impact on the financial statements.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*, effective for the University's fiscal year beginning July 1, 2017. This Statement establishes standards

of accounting and financial reporting for in-substance defeasance transactions in which cash and other monetary assets acquired with resources other than the proceeds of the refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. In addition, this Statement revises existing standards for prepaid insurance associated with extinguished debt. Implementation of Statement No. 86 had no impact on the financial statements.

The significant accounting policies of UCLA are as follows:

Cash

UCLA and the foundations consider all balances in demand deposit accounts to be cash. UCLA classifies deposits in the University's Short Term Investment Pool as short-term investments.

Investments

Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the last business day of the fiscal year, as quoted on a recognized exchange or by utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by broker/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset, and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout, real assets, and international funds. Fair values for interests in private equity, absolute return partnerships, and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the most recent net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions, and significant known valuation changes, if any, of its related portfolio through June 30, 2018 and 2017.

Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate, real assets, and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections, as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms, and restrictions and risks inherent in the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's Statement of Revenues, Expenses, and Changes in Net Position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Certain securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundations' investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Campus Foundations' column.

Derivative financial instruments

Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options, and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows.

The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at estimated fair value as either assets or liabilities in the Statement of Net Position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the Statement of Revenues, Expenses, and Changes in Net Position.

Accounts receivable, net

Accounts receivable, net of allowance for uncollectible amounts, includes reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments, and other receivables. Other receivables include local government and private grants and contracts, educational activities, and amounts due from students, employees, and faculty.

Pledges receivable, net

Unconditional pledges of private gifts to UCLA or the foundations, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including all pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met.

Notes and mortgages receivable, net

Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments and loans provided by other sources are classified as mortgages receivable in the Statement of Net Position.

Inventories

Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically

determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the Medical Center consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

Capital assets, net

Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections, and special collections are recorded at cost at the date of acquisition, or estimated acquisition value at the date of donation in the case of gifts. Estimates of acquisition value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development, and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections, and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	Years
Infrastructure	25
Buildings and improvements	15-33
Equipment	2-20
Computer software	3-7
Intangible assets	2-indefinite
Library books and collectibles	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved, and held for public exhibition, education, or research, including art, museum, scientific and rare book collections, are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Unearned revenue

Unearned revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Funds held for others

Funds held for others result from the foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to the foundations.

Federal refundable loans

Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's Statement of Net Position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Bond premium

The premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs

The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care, and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is

probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplementally insured coverage for each program in any of the past three fiscal years.

Obligations under life income agreements

Obligations under life income agreements represent trusts with living income beneficiaries where UCLA has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of the income beneficiary interest is reported as a liability in the Statement of Net Position. Gifts subject to such agreements administered by UCLA are recorded as deferred inflows of resources, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in deferred inflows of resources in the Statement of Net Position. At the termination of the agreement, UCLA's residual interest is recorded as gift revenue in the Statement of Revenues, Expenses, and Changes in Net Position.

Pollution remediation obligations

Upon an obligating event, UCLA estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil, and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are reviewed annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2018 and 2017, reducing the pollution remediation liability.

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively. UCLA classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the shorter of the remaining life of the old or new debt.

UCLA classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources.

Changes in net pension liability and net retiree health benefit liability not included in pension expense and retiree health benefits expense, respectively, are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension and retiree health liabilities are reported as deferred outflows of resources.

Net position

Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction, or improvement of those assets.

Restricted. UCLA and the foundations classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCLA or the foundations, is classified as nonexpendable net position. This includes UCLA's and the foundations' permanent endowment funds.

Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by UCLA or the foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the foundations pursuant to those restrictions or that expire by the passage of time is classified as expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing its use is classified as unrestricted net position. UCLA's unrestricted net position may be designated for specific purposes by management or The Regents. The foundations' unrestricted net position may be designated for specific purposes by their Boards of Trustees. Substantially all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Restricted or unrestricted resources are spent based upon a variety of factors, including funding restrictions, consideration of prior and future revenue sources, the type of expense incurred, UCLA's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding UCLA's assets available to pay such obligations.

Revenues and expenses

Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities, sales and services from medical centers, educational activities, and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCLA are presented in the Statement of Revenues, Expenses, and Changes in Net Position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UCLA are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of UCLA.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the core mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

Nonoperating revenues and expenses include state educational appropriations, state financing appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation (or depreciation) in the fair value of investments, interest expense, and the loss on the disposal of capital assets.

State capital appropriations, capital gifts and grants, and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees

Substantially all of the student tuition and fees provide for current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the Statement of Revenues, Expenses, and Changes in Net Position for the years ended June 30 as follows:

(in thousands of dollars)

Scholarship Allowance	**2018**	**2017**
Student tuition & fees	$246,760	$231,362
Sales & services auxiliary enterprises	41,294	42,838
Total	**$288,054**	**$274,200**

State appropriations

The State of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement, or other specific operating purposes are reported as operating expenses. State

appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco, and breast cancer research are reported as grant operating revenue.

Grant and contract revenue

UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2018, the facilities and administrative cost recovery totaled $199 million, which consisted of $140 million from federally sponsored programs and $59 million from other sponsors. For the year ended June 30, 2017, the facilities and administrative cost recovery totaled $189 million, which consisted of $136 million from federally sponsored programs and $53 million from other sponsors.

Medical center revenue

Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

Net pension liability

UCLA records net pension liability equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows and outflows, and are recognized over five years.

Retiree health benefits and liability

UCLA's net retiree health benefits liability is measured as the total retiree health benefits liability, less the amount of the University of California Retiree Health Benefit Trust (UCRHBT) fiduciary net position. The fiduciary net position and changes in net position of UCRHBT has been measured consistent with the accounting policies used by the trust. The total retiree health benefits liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the health benefit trust's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Expense for retiree health benefits is recognized for benefits earned during the period, interest on the unfunded liability, and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for retiree health benefits. The differences between expected and actual returns are reported as deferred inflows or outflows and are recognized over five years.

Campus and medical center contributions toward retiree health costs made to UCRHBT are shown as operating activities in the Statement of Cash Flows.

Compensated absences

UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending

Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA programs.

Tax exemption

The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC), except for tax on unrelated business income under IRC Section 511. The University is also exempt from federal income tax under IRC Section 115(a) as a state institution. In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. The UCLA Foundation, the Jonsson Cancer Center Foundation and ASUCLA also qualified for tax exemption under IRC Section 501(c)(3).

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New accounting pronouncements

In December 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, effective for the University's fiscal year beginning July 1, 2018. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Statement requires the measurement of an asset retirement obligation to be based on the best estimate of the current value of outlays expected to be incurred. The deferred outflow of resources associated with an asset retirement obligation will be measured at the amount of the corresponding liability upon initial measurement and generally recognized as an expense during the reporting periods that the asset provides service. Disclosure requirements include a general description of the asset retirement obligation and associated tangible capital assets, the source of the obligation to retire the assets, the methods and assumptions used to measure the liability, and other relevant information. The University is evaluating the effect that Statement No. 83 will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, effective for the University's fiscal year beginning July 1, 2019. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is evaluating the effect that Statement No. 84 will have on its financial statements.

In June 2017, the GASB issued Statement No. 87, *Leases*, effective for the University's fiscal year beginning July 1, 2020. This Statement establishes a single approach to accounting for and reporting leases based on the principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. Limited exceptions to the single-approach guidance are provided for short-term leases, defined as lasting a maximum of twelve months at inception, including any options to extend, financed purchases, leases

of assets that are investments, and certain regulated leases. The University is evaluating the effect Statement No. 87 will have on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, effective for the University's fiscal year beginning July 1, 2018. This Statement defines debt for purposes of disclosures in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires additional disclosures related to debt including providing additional information for direct borrowings and direct placements of debt separately from other debt. The University is evaluating the effect that Statement No. 88 will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective prospectively for the University's fiscal year beginning July 1, 2020. The Statement requires that interest cost incurred before the end of a construction period to be recognized as an expense in the period in which the cost is incurred. As a result, interest costs would not be capitalized as part of the asset's historical cost. For construction in progress, interest cost incurred after applying this Statement No. 89 will not be capitalized. The University is evaluating the effect that Statement No. 89 will have on its financial statements.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests — An Amendment of GASB Statements No. 14 and No. 61*, effective for the University's fiscal year beginning July 1, 2019. The Statement defines a majority equity interest in a legally separate organization and clarifies the accounting and financial reporting for majority equity interests, classified as either investments or component units, in the financial statements. The University is evaluating the effect that Statement No. 90 will have on its financial statements.

1. CASH

UCLA cash is maintained and managed centrally by the University of California (the "University"). Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis. Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. At June 30, 2018 and 2017, the carrying amount of the University's demand deposits, generally held in five nationally recognized banking institutions, was $249.5 million and $203.4 million, respectively, compared to bank balances of $169.7 million and $159.7 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. The University's deposits are uninsured and uncollateralized. UCLA does not have significant exposure to foreign currency risk in demand deposit accounts.

The carrying amount of the campus foundations' cash was $5 million at June 30, 2018 and 2017, compared to bank balances of $3 million and $2 million, respectively. Deposits in transit and cash awaiting investment are the primary differences. Uncollateralized bank balances include $2 million and $3 million in excess of the Federal Deposit Insurance Corporation (FDIC) limits at June 30, 2018 and 2017, respectively. The campus foundations do not have exposure to foreign currency risk in their cash.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's investments and establishes an investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset and Risk Allocation Policy guidelines are provided to the campus foundations by the Investments Subcommittee of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for UCLA is invested in STIP. The available cash in endowment investment pools

awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms of up to 40 years.

TRIP allows participants the opportunity to maximize the return on their intermediate-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed income, and alternative investments.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, other investment pools and separate investments include equity securities, fixed-income securities, and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except for STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts, are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

More detail about the University of California's investments, securities lending, derivative financial instruments, and investments held by trustees can be found in the audited University of California Annual Financial Report.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts are as follows:

	UCLA				UCLA Foundations
(in thousands of dollars)	**State & Federal Government**	**Medical Center**	**Other**	**Total**	
At June 30, 2018					
Accounts receivable	$129,501	$442,303	$348,071	$919,875	$5,267
Allowance for uncollectible accounts	(820)	(37,343)	(16,278)	(54,441)	
Accounts receivable, net	**$128,681**	**$404,960**	**$331,793**	**$865,434**	**$5,267**
At June 30, 2017					
Accounts receivable	$156,730	$429,409	$395,022	$981,161	$32,830
Allowance for uncollectible accounts	(820)	(44,060)	(14,274)	(59,154)	
Accounts receivable, net	**$155,910**	**$385,349**	**$380,748**	**$922,007**	**$32,830**

Other accounts receivable are primarily related to private grants and contracts, medical professional fees, investment sales, tuition and fees, auxiliary enterprises, insurance rebates, and legal settlements.

The foundations' accounts receivable are primarily related to investment income.

Uncollectible accounts have decreased the following revenues for the years ended June 30:

(in thousands of dollars)	**2018**	**2017**
Student tuition & fees	$(55)	$108
Grants and contracts		(14)
Medical Center	(32,652)	(24,572)
Educational activities	(1,461)	(1,261)
Auxiliary enterprises	(54)	(1)
Other operating revenues	4	16
Expense for uncollectible accounts	**$(34,218)**	**$(25,724)**

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30 is summarized as follows:

	UCLA		UCLA Foundations	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Total pledges receivable outstanding	$13,797	$13,860	$609,762	$555,197
Less: Unamortized discount to present value	(149)	(170)	(93,100)	(93,486)
Allowance for uncollectible pledges	(3,032)	(2,552)	(15,300)	(9,184)
Total pledges receivable, net	**10,616**	**11,138**	**501,362**	**452,527**
Less: Current portion of pledges receivable	(5,217)	(3,913)	(79,368)	(69,897)
Noncurrent portion of pledges receivable	**$5,399**	**$7,225**	**$421,994**	**$382,630**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2018 and thereafter are as follows:

(in thousands of dollars)	**UCLA**	**UCLA Foundations**
Year Ending June 30		
2019	$7,417	$88,833
2020	3,445	84,349
2021	1,785	59,730
2022	850	48,871
2023	300	64,946
2024-2028		103,463
Beyond 2029		159,570
Total	**$13,797**	**$609,762**

Adjustments to the allowance for uncollectible pledges for UCLA have decreased private gift revenue by $22,000 and $65,000 for the years ended June 30, 2018 and 2017, respectively.

5. NOTES AND MORTGAGES RECEIVABLE

UCLA notes and mortgages receivable at June 30, 2018 and 2017, along with allowance for uncollectible amounts, are as follows:

(in thousands of dollars)	Current	Noncurrent Notes	Noncurrent Mortgages	Total
At June 30, 2018				
Notes and mortgages receivable	$8,255	$69,611	$9,657	$87,523
Allowance for uncollectible amounts	(1,113)	(3,446)	(109)	(4,668)
Notes and mortgages receivable, net	**$7,142**	**$66,165**	**$9,548**	**$82,855**
At June 30, 2017				
Notes and mortgages receivable	$7,698	$69,195	$10,849	$87,742
Allowance for uncollectible amounts	(1,098)	(2,824)	(114)	(4,036)
Notes and mortgages receivable, net	**$6,600**	**$66,371**	**$10,735**	**$83,706**

6. CAPITAL ASSETS

UCLA's capital asset activity for the years ended June 30 is as follows:

(in thousands of dollars)

Original Cost	2016	Additions	Disposals	2017	Additions	Disposals	2018
Land	$179,810	$(5,872)	$(9,684)	$164,254	$3,066		$167,320
Infrastructure	7,385			7,385	10,988		18,373
Buildings and improvements	7,266,284	449,674	(4,293)	7,711,665	379,008		8,090,673
Equipment	1,243,257	131,929	(48,183)	1,327,003	125,584	$(40,987)	1,411,600
Intangible assets	275,879	11,993	(4,230)	283,642	11,975	(2,577)	293,040
Libraries and collections	736,763	34,321	(1,120)	769,964	36,006	(9,799)	796,171
Special collections	115,429	4,487		119,916	4,305		124,221
Construction in progress	517,206	(120,907)		396,299	(115,829)		280,470
Capital assets, at original cost	**$10,342,013**	**$505,625**	**$(67,510)**	**$10,780,128**	**$455,103**	**$(53,363)**	**$11,181,868**

Accumulated Depreciation and Amortization	2016	Depreciation & Amortization	Disposals	2017	Depreciation & Amortization	Disposals	2018
Infrastructure	$6,554	$113		$6,667	$533		$7,200
Buildings and improvements	2,880,794	224,927		3,105,721	233,175		3,338,896
Equipment	768,235	89,596	$(45,360)	812,471	92,482	$(38,973)	865,980
Intangible assets	110,223	33,941	(1,147)	143,017	35,696	(1,414)	177,299
Libraries and collections	508,921	26,094	(1,817)	533,198	26,984	(5,135)	555,047
Accumulated depreciation and amortization	**4,274,727**	**374,671**	**(48,324)**	**4,601,074**	**388,870**	**(45,522)**	**4,944,422**
Capital assets, net	**$6,067,286**			**$6,179,054**			**$6,237,446**

7. DEBT

The University directly finances the construction, renovation, and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations. Commercial paper and bank loans provide interim financing. Long-term financing includes revenue bonds, capital lease obligations, and other borrowings.

UCLA's outstanding debt at June 30 is as follows:

(in thousands of dollars)	Weighted Average Interest Rate	Interest Rate Range	Maturity Years	2018	2017
Interim financing:					
Commercial paper		1.1 - 2.3%	2018	$3,395	$79,876
Long-term financing:					
University of California General Revenue Bonds					
Fixed rate	4.7%	1.2 - 7.6%	2019-2115	1,460,338	1,347,462
Variable rate	1.4%	1.3 - 1.9%	2037-2048	109,967	101,469
University of California Limited Project Revenue Bonds	4.8%	1.2 - 6.3%	2019-2058	776,055	842,892
University of California Medical Center Pooled Revenue Bonds					
Fixed rate	5.5%	1.1 - 6.6%	2019-2049	640,062	669,749
Variable rate	1.9%	1.2 - 2.4%	2019-2047	57,413	60,076
Unamortized bond premium				193,217	187,379
University of California revenue bonds	**4.6%**			**3,237,052**	**3,209,027**
Capital lease obligations		0.5 - 11.8%	2019-2042	120,301	130,736
Other University borrowings		Various	2019-2053	182,860	232,874
Total outstanding debt				**3,543,608**	**3,652,513**
Less: Commercial paper				(3,395)	(79,876)
Current portion of outstanding debt				(229,632)	(373,351)
Noncurrent portion of outstanding debt				**$3,310,581**	**$3,199,286**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2018 and 2017 was $137 million and $140 million, respectively. Interest expense, net of investment income, totaling $3 million and $2 million, was capitalized during the years ended June 30, 2018 and 2017, respectively. The remaining $134 million and $138 million in 2018 and 2017, respectively, is reported as interest expense in the Statement of Revenues, Expenses, and Changes in Net Position.

Outstanding debt activity

The activity with respect to UCLA's current and noncurrent debt for the years ended June 30 is as follows:

(in thousands of dollars)	Revenue Bonds	Capital Lease Obligations	Other Borrowings	Total
Year Ended June 30, 2018				
Long-term debt and capital leases at June 30, 2017	$3,209,027	$130,736	$232,874	$3,572,637
New obligations	300,562	5,372	23	305,957
Bond premium, net	36,519			36,519
Refinancing or prepayment of outstanding debt	(149,026)		(44,477)	(193,503)
Scheduled principal payments	(146,607)	(15,807)	(5,560)	(167,974)
Amortization of bond premium	(13,423)			(13,423)
Long-term debt and capital leases at June 30, 2018	**3,237,052**	**120,301**	**182,860**	**3,540,213**
Less: Current portion	(206,663)	(17,313)	(5,656)	(229,632)
Noncurrent portion at June 30, 2018	**$3,030,389**	**$102,988**	**$177,204**	**$3,310,581**
Year Ended June 30, 2017				
Long-term debt and capital leases at June 30, 2016	$3,210,312	$114,680	$205,445	$3,530,437
New obligations	315,155	32,217	58,930	406,302
Bond premium, net	30,858			30,858
Refinancing or prepayment of outstanding debt	(262,222)		(18,901)	(281,123)
Scheduled principal payments	(71,756)	(16,161)	(12,600)	(100,517)
Amortization of bond premium	(13,320)			(13,320)
Long-term debt and capital leases at June 30, 2017	**3,209,027**	**130,736**	**232,874**	**3,572,637**
Less: Current portion	(202,270)	(16,105)	(154,976)	(373,351)
Noncurrent portion at June 30, 2017	**$3,006,757**	**$114,631**	**$77,898**	**$3,199,286**

Commercial paper

The University has available a $2.0 billion commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim financing for capital projects, interim financing of equipment, financing of working capital for the medical centers, standby or interim financing for gift financed projects and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitute limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper, and the paper does not constitute general obligations of the University.

Commercial paper outstanding for UCLA, including interest rates, at June 30 is as follows:

	2018		2017	
(in thousands of dollars)	**Interest Rates**	**Outstanding**	**Interest Rates**	**Outstanding**
Tax-exempt	1.10 - 1.71%	$2,095		
Taxable	1.88 - 2.30%	1,300	0.93 - 1.26%	$79,876
Total Outstanding		**$3,395**		**$79,876**

The expectation is that the University will continue to utilize available investments for liquidity support of the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2018, the University has two revolving credit agreements totaling $700 million. There were no borrowings against the revolving credit lines as of June 30, 2018.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center, and research facilities of the University. The bonds generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements, and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage, or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way which will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes. The Indentures permit the University to issue additional bonds as long as certain conditions are met.

General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperating revenues of the University consisting of gross student tuition and fees; a portion of state appropriations; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary, and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges, and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds. General Revenues for the years ended June 30, 2018 and 2017 were $3.8 billion and $3.7 billion, respectively.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects.

The Limited Project Revenue Bond Indenture requires the University to achieve the sum of gross project revenues equal to 1.1 times debt service and maintain certain other covenants. The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes. UCLA pledged revenues for the years ended June 30, 2018 and 2017 were $528 million and $492 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges, and fees each year sufficient for the medical centers' total operating and nonoperating revenues to pay for the annual principal and interest on the bonds and certain other covenants. The pledge of the medical centers' revenues for interest rate swap agreements may be at parity with, or subordinate to, Medical Center Pooled Revenue Bonds. Pledged revenues of the five medical centers for the years ended June 30, 2018 and 2017 were $12.2 billion and $11.4 billion, respectively. Pledged revenues for the UCLA Medical Center for the years ended June 30, 2018 and 2017 were $2.5 billion and $2.5 billion, respectively.

2018 activity

In September 2017, Limited Project Revenue Bonds totaling $2.7 million, including $2.1 million tax-exempt bonds and $0.6 million taxable bonds, were issued to finance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2052. Proceeds, including a bond premium of $0.4 million, were used to pay for project construction and issuance costs. The taxable bonds have a stated weighted average rate of 2.9 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In December 2017, General Revenue Bonds totaling $149.9 million of tax-exempt bonds were issued to advance refund a portion of General Revenue Bonds, Limited Project Revenue Bonds, and Medical Center Pooled Revenue Bonds. The bonds mature at various dates through 2041. The bonds have a stated weighted average interest rate of 4.7 percent. The bond premium of $27.1 million will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $17.9 million and an economic gain of $14.2 million.

In June 2018, General Revenue Bonds totaling $79.8 million, including $56.8 million in tax-exempt bonds and $23.0 million in taxable bonds, were issued to finance or refinance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $9.4 million, were used to pay for project construction and issuance costs and to refund $7.3 million of outstanding General Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The taxable bonds have a stated weighted average interest rate of 4.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $0.8 million and an economic gain of $0.7 million.

In June 2018, Limited Project Revenue Bonds totaling $67.8 million, all tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement, and renovation of certain facilities of UCLA. The bonds mature at various dates through 2058. Proceeds, including a bond premium of $10.0 million, were used to pay for project construction and issuance costs and to refund $13.9 million of outstanding Limited Project Revenue Bonds. The tax-exempt bonds have a stated weighted average interest rate of 4.9 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding bonds resulted in cash flow savings of $1.6 million and an economic gain of $1.3 million.

2017 activity

In August 2016, Medical Center Pooled Revenue Bonds totaling $315 million, including $262 million of tax-exempt bonds and $53 million taxable bonds, were issued to finance and refinance certain facilities and projects of the Medical Center.

Proceeds, including a net bond premium of $49 million, were used to pay for project construction, issuance costs, and refund $226 million of outstanding Medical Center Pooled Revenue Bonds and all of the outstanding Medical Center Revenue Bonds. The bonds mature at various dates through 2047. Simultaneously, a bank standby bond purchase agreement for certain of the University's variable-rate demand bonds was terminated. The University will provide its own liquidity in connection with mandatory and optional tenders and remarketing of these bonds and does not plan to provide any third-party liquidity facility to support this obligation. The interest rates on the variable-rate demand bonds reset daily and an interest-rate swap is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt and taxable bonds have a stated weighted average interest rate of 4.5 percent and 3.0 percent, respectively. The refunding of the outstanding Medical Center Pooled Revenue Bonds and Medical Center Revenue Bonds resulted in a loss of $2 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the term of the refunded bonds. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Revenue Bonds resulted in cash flow savings of $60 million and an economic gain of $47 million.

Capital leases

Capital leases entered into with other lessors, typically for equipment, totaled $5 million and $32 million for the years ended June 30, 2018 and 2017, respectively.

Other University borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivate instrument.

Other borrowings totaled $183 million and $233 million for the years ended June 30, 2018 and 2017, respectively. This was comprised of unamortized borrowings under UCLA Medical Center swap agreements of $71 million and $75 million, in addition to mortgage and other obligations to various lenders of $112 million and $158 million for the years ended June 30, 2018 and 2017, respectively.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment.

Future debt service and hedging derivative interest-rate swaps

Future debt service payments for the campuses fixed- and variable-rate debt for each of the five fiscal years subsequent to June 30, 2018, and thereafter are as presented below. Although not a prediction by the University of the future interest cost of the variable-rate bonds, these amounts assume that current interest rates on variable-rate bonds will not change. As these rates vary, variable-rate bond interest payments will vary.

(in thousands of dollars)

Year Ended At June 30	Commercial Paper	Revenue Bonds	Capital Leases	Other University Borrowings	Total Payments	Principal	Interest
2019	$3,405	$212,886	$22,135	$5,753	$244,179	$100,045	$144,134
2020		213,689	22,196	11,307	247,192	106,259	140,933
2021		219,294	21,811	9,329	250,434	113,158	137,276
2022		218,073	5,977	9,328	233,378	100,390	132,988
2023		216,032	4,743	9,314	230,089	101,175	128,914
2024-2028		1,029,998	23,885	43,701	1,097,584	516,126	581,458
2029-2033		946,973	28,880	38,047	1,013,900	545,480	468,420
2034-2038		823,921	35,137	30,973	890,031	544,323	345,708
2039-2043		630,910	30,184	20,705	681,799	456,484	225,315
2044-2048		469,511		4,511	474,022	336,406	137,616
2049-2053		131,676			131,676	31,240	100,436
2053-2115		1,546,488			1,546,488	400,000	1,146,488
Total future debt service	**3,405**	**6,659,451**	**194,948**	**182,968**	**7,040,772**	**$3,351,086**	**$3,689,686**
Less: interest component of future payments	(10)	(3,615,615)	(73,953)	(108)	(3,689,686)		
Principal portion of future payments	**3,395**	**3,043,836**	**120,995**	**182,860**	**3,351,086**		
Adjusted by:							
Unamortized bond premium		193,216			193,216		
Present value of net minimum leases included in long-term debt			(694)		(694)		
Total debt	**$3,395**	**$3,237,052**	**$120,301**	**$182,860**	**$3,543,608**		

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows of resources at June 30 are summarized as follows:

(in thousands of dollars)	Net Pension Liability	Net Retiree Health Benefits Liability	Debt Refunding	Interest Rate Swap Agreements	Royalty Sales	Total
At June 30, 2018						
Deferred outflows of resources	$190,818	$868,026	$43,006	$49,068		$1,150,918
Deferred inflows of resources	92,957	1,352,843	1,388		$421,341	1,868,529
At June 30, 2017						
Deferred outflows of resources	$265,927	$992,513	$47,258	$61,938		$1,367,636
Deferred inflows of resources	205,561	1,177,102	1,436		$467,502	1,851,601

9. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most UCLA employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP, which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; and UC-VERIP, a defined benefit plan for UCLA employees who were members of PERS and who elected early retirement. The Regents has the authority to establish and amend the benefit plans. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator.

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP and UC-VERIP for the year ended June 30, 2018 is as follows:

(in thousands of dollars)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA UC-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION				
Investments at fair value	$67,871,988	$66,370	$22,934,360	$90,872,718
Participants' interests in mutual funds			1,585,098	1,585,098
Investment of cash collateral	3,863,753	3,770	2,290,767	6,158,290
Other assets	156,883	87	307,700	464,670
Total assets	**71,892,624**	**70,227**	**27,117,925**	**99,080,776**
Collateral held for securities lending	3,863,026	3,769	2,290,336	6,157,131
Other liabilities	1,256,008	1,210	441,485	1,698,703
Total liabilities	**5,119,034**	**4,979**	**2,731,821**	**7,855,834**
Net position held in trust	**$66,773,590**	**$65,248**	**$24,386,104**	**$91,224,942**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION				
Contributions	$3,446,018		$1,313,722	$4,759,740
Net appreciation in fair value of investments	3,743,725	$3,735	1,351,080	5,098,540
Investment and other income, net	1,093,828	1,149	461,431	1,556,408
Total additions	**8,283,571**	**4,884**	**3,126,233**	**11,414,688**
Benefit payment and participant withdrawals	3,587,554	4,610	1,220,081	4,812,245
Other deductions	36,685	4	2,680	39,369
Total deductions	**3,624,239**	**4,614**	**1,222,761**	**4,851,614**
Increase in net position held in trust	**4,659,332**	**270**	**1,903,472**	**6,563,074**
Net position held in trust				
Beginning of year	62,114,258	64,978	22,482,632	84,661,868
End of year	**$66,773,590**	**$65,248**	**$24,386,104**	**$91,224,942**
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	$1,873,004			$1,873,004
Interest	5,295,733	$2,042		5,297,775
Difference between expected and actual experience	138,419	(436)		137,983
Benefits paid, including refunds of employee contributions	(3,587,554)	(4,610)		(3,592,164)
Net change in total pension liability	**3,719,602**	**(3,004)**		**3,716,598**
Total pension liability				
Beginning of year	72,826,846	32,544		72,859,390
End of year	**$76,546,448**	**$29,540**		**$76,575,988**
Net pension liability (asset), end of year	**$9,772,858**	**$(35,708)**		**$9,737,150**

Additional information on the retirement plans can be obtained from the 2017-2018 annual report of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/

University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code or plan provisions. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2018:

	Campuses and Medical Centers	DOE National Laboratories	University of California
Retirees and beneficiaries receiving benefits	62,704	13,220	75,924
Inactive members entitled to, but not receiving benefits	82,855	9,762	92,617
Active members:			
Vested	75,290	1,643	76,933
Nonvested	52,216	730	52,946
Total active members	**127,506**	**2,373**	**129,879**
Total membership	**273,065**	**25,355**	**298,420**

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee member contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. UCLA contributions were $312 million and $468 million for 2018 and 2017, respectively.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or possibly a lump sum equal to the present value of their accrued benefits.

Net pension liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

(in thousands of dollars)	UCLA Campus and Medical Center *	Other Campuses and Other Medical Centers	Campuses and Medical Centers Total	DOE National Laboratories	University of California
At June 30, 2018					
UCRP net position	$13,421,300	$44,186,862	$57,608,162	$9,165,428	$66,773,590
Total pension liability	15,624,672	51,441,010	67,065,682	9,480,766	76,546,448
Net pension liability	**$2,203,372**	**$7,254,148**	**$9,457,520**	**$315,338**	**$9,772,858**

(in thousands of dollars)	UCLA Campus and Medical Center *	Other Campuses and Other Medical Centers	Campuses and Medical Centers Total	DOE National Laboratories	University of California
At June 30, 2017					
UCRP net position	$12,463,733	$40,787,847	$53,251,580	$8,862,678	$62,114,258
Total pension liability	14,828,695	48,527,239	63,355,934	9,470,912	72,826,846
Net pension liability	**$2,364,962**	**$7,739,392**	**$10,104,354**	**$608,234**	**$10,712,588**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The University's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The University's net pension liability was calculated using the following methods and assumptions:

	2018	2017
Inflation	3.0%	3.0%
Investment rate of return	7.25	7.25
Projected salary increases	3.8 - 6.2	3.8 - 6.2
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used as of June 30, 2018 and 2017 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members, inactive members, and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 based on a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed

for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2018 and 2017 are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
U.S. equity	28.5%	6.1%
Developed international equity	18.5	7.0
Emerging market equity	8.0	8.6
Core fixed income	12.5	0.8
High yield bonds	2.5	3.0
Emerging market debt	2.5	3.9
Treasury inflation protected securities	4.5	0.4
Real estate	5.5	4.8
Private equity	8.0	11.2
Absolute return	6.5	4.2
Real assets	3.0	4.4
Total	**100.0%**	**5.6%**

Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2018 and 2017 was 7.25 percent. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRS has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University, state, and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2018 and 2017.

Sensitivity of the net pension liability to the discount rate assumption

The following presents the June 30, 2018 net pension liability of the University calculated using the June 30, 2018 discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
UCRP	$19,331,895	$9,772,858	$1,764,796
UCRP (UCLA campus portion, Including Medical Center)*	4,430,395	2,203,372	337,688
UC-VERIP	(34,194)	(35,708)	(37,109)

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2018							
DEFERRED OUTFLOWS OF RESOURCES							
Difference between expected and actual experience	$66,325	$177,863	$244,188	$1,696	$245,884		$245,884
Changes of assumptions or other inputs	124,493	333,856	458,349		458,349		458,349
Total	**$190,818**	**$511,719**	**$702,537**	**$1,696**	**$704,233**		**$704,233**
DEFERRED INFLOWS OF RESOURCES							
Difference between expected and actual experience	$19,515	$35,912	$55,427		$55,427		$55,427
Net difference between projected and actual earnings on pension plan investment	73,442	135,147	208,589	$4,484	213,073	$14	213,087
Total	**$92,957**	**$171,059**	**$264,016**	**$4,484**	**$268,500**	**$14**	**$268,514**

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
At June 30, 2017							
DEFERRED OUTFLOWS OF RESOURCES							
Difference between expected and actual experience	$49,430	$129,969	$179,399		$179,399		$179,399
Changes of assumptions or other inputs	216,497	569,244	785,741		785,741		785,741
Net difference between projected and actual earnings on pension plan investments				$7,275	7,275		7,275
Total	**$265,927**	**$699,213**	**$965,140**	**$7,275**	**$972,415**		**$972,415**
DEFERRED INFLOWS OF RESOURCES							
Difference between expected and actual experience	$40,105	$110,962	$151,067	$7,410	$158,477		$158,477
Changes of assumptions or other inputs	100,566	278,249	378,815		378,815		378,815
Net difference between projected and actual earnings on pension plan investment	64,890	179,540	244,430		244,430		244,430
Total	**$205,561**	**$568,751**	**$774,312**	**$7,410**	**$781,722**		**$781,722**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2018 related to pensions that will be recognized in pension expense during the next five years are as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	OTHER CAMPUSES AND OTHER MEDICAL CENTERS	CAMPUSES AND MEDICAL CENTERS TOTAL	DOE NATIONAL LABORATORIES	TOTAL UCRP	UC-VERIP	TOTAL
2019	$181,674	$632,416	$814,090	$96,351	$910,441	$773	$911,214
2020	72,245	251,487	323,732	32,666	356,398	272	356,670
2021	(151,041)	(525,781)	(676,822)	(119,396)	(796,218)	(954)	(797,172)
2022	(7,546)	(26,269)	(33,815)	(12,409)	(46,224)	(105)	(46,329)
2023	2,529	8,807	11,336		11,336		11,336
Total	**$97,861**	**$340,660**	**$438,521**	**$(2,788)**	**$435,733**	**$(14)**	**$435,719**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Defined Contribution Plan

Effective July 1, 2016, newly hired (or becoming eligible) employees can elect a defined contribution option instead of participating in UCRP. For employees who elect this option, both the University and the participants make mandatory contributions, on a pretax basis, on eligible pay up to the IRS compensation limit. The participant contributes 7.0 percent and the University contributes 8.0 percent. University contributions are fully vested after one year of service. For certain newly hired (or becoming eligible) employees who elect to participate in UCRP, the University and the participants make mandatory contributions to the DC Plan on eligible pay up to the IRS limit. Participants contribute 7.0 percent on eligible pay and the University contributes 5.0 percent for designated faculty and 3.0 percent for staff. University contributions fully vest after five years of service.

The University makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research, or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also contribute on behalf of eligible senior managers. Employer contributions to the DC Plan were $29.8 million and $13.2 million for the years ended June 30, 2018 and 2017, respectively.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal, and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of their gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions on behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no assets or employer contributions to the SDC Plan for the years ended June 30, 2018 and 2017.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions on behalf of certain members of management. Employer contributions to the 403(b) Plan were $8.7 million and $3.2 million for the years ended June 30, 2018 and 2017, respectively.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. The University may also make contributions on behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2018 and 2017.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the Statement of Plans' Fiduciary Net Position.

University of California Voluntary Early Retirement Incentive Plan (UC-PERS)

UC-PERS is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-PERS members who elected early retirement under provisions of the plan. The University contributed to PERS on behalf of these UC-PERS members. As of July 1, 2018, there are 492 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University previously made contributions to the Plan sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2018 and 2017.

10. RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental, and vision, to eligible retirees (and their eligible family members) of the University of California and its affiliates through the University of California Retiree Health Benefit Trust (UCRHBT). The Regents has the authority to establish and amend the plan.

Campus and medical center contributions toward retiree health benefits, at rates determined by the University, are made to UCRHBT. The University receives retiree health contributions from retirees that are deducted from their UCRP benefit payments. The University acts as a third-party administrator on behalf of UCRHBT and pays health care insurers and administrators amounts currently due under the University's retiree health benefit plans for retirees. UCRHBT reimburses the University for these amounts.

Condensed financial information for the changes in retiree health benefits liability for the year ended June 30, 2018 is as follows:

(in thousands of dollars)	**UCLA Campus and Medical Center ***	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
Contributions	$119,439	$393,132	$512,571	$21,266	$533,837
Investment income, net	381	1,253	1,634		1,634
Total additions	**119,820**	**394,385**	**514,205**	**21,266**	**535,471**
Insurance premiums, net	(112,660)	(370,819)	(483,479)	(21,266)	(504,745)
Other deductions	(899)	(2,960)	(3,859)		(3,859)
Total deductions	**(113,559)**	**(373,779)**	**(487,338)**	**$(21,266)**	**(508,604)**
Increase in net position held in UCRHBT	**6,261**	**20,606**	**26,867**		**26,867**
Net position held in UCRHBT, beginning of year	24,867	81,847	106,714		106,714
Net Position held in UCRHBT, end of year	**$31,128**	**$102,453**	**$133,581**		**$133,581**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

(in thousands of dollars)	UCLA Campus and Medical Center *	Other Campuses and Other Medical Centers	Campuses and Medical Centers Total	LBNL	University of California
CHANGES IN TOTAL RETIREE HEALTH BENEFITS LIABILITY					
Service Cost	$190,257	$626,226	$816,483	$18,671	$835,154
Interest	161,847	532,715	694,562	22,215	716,777
Difference between expected and actual experience	(244,187)	(904,845)	(1,149,032)	(24,710)	(1,173,742)
Changes of assumptions and other inputs	(82,376)	(271,140)	(353,516)	(1,069)	(354,585)
Benefits paid	(112,660)	(370,819)	(483,479)	(21,266)	(504,745)
Retiree contributions	17,913	58,960	76,873	2,976	79,849
Net change in total retiree health benefits liability	**(69,206)**	**(328,903)**	**(398,109)**	**(3,183)**	**(401,292)**
Total retiree health benefits liability					
Beginning of year	4,354,001	14,432,200	18,786,201	610,937	19,397,138
End of year	**$4,284,795**	**$14,103,297**	**$18,388,092**	**$607,754**	**$18,995,846**
Net retiree health benefit liability, end of year	**$4,253,667**	**$14,000,844**	**$18,254,511**	**$607,754**	**$18,862,265**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Benefits

Retirees are eligible for medical and dental benefits. The costs of the medical and dental benefits are shared between the University and the retiree. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least 5 years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at June 30, 2018:

	CAMPUSES AND MEDICAL CENTERS	LBNL	UNIVERSITY OF CALIFORNIA
Retirees and beneficiaries receiving benefits	42,325	1,841	44,166
Active members entitled to, but not yet receiving benefits	127,330	2,534	129,864
Total membership	**169,655**	**4,375**	**174,030**

Contributions

The University does not pre-fund retiree health benefits and instead provides for benefits based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics, and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability. The assessment rates were $2.80 and $2.93 per $100 of UCRP covered payroll effective July 1, 2017 and 2016, respectively.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members that are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Net retiree health benefits liability

The University's net retiree health benefits liability was measured as of June 30 based on rolling forward the results of the actuarial valuations as of July 1, one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. Significant actuarial methods and assumptions used to calculate the University's net retiree health benefits liability were:

(shown as percentage)	2018	2017
Discount rate	3.9%	3.6%
Inflation	3.0	3.0
Investment rate of return	3.0	3.0
Health care cost trend rates	Initially ranges from 5.0 to 9.3 decreasing to an ultimate rate of 5.0 for 2033 and later years	Initially ranges from 5.0 to 9.5 decreasing to an ultimate rate of 5.0 for 2032 and later years

The actuarial assumptions are based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029 and with ages then set back one year for males and set forward five years for females.

Sensitivity of net retiree health benefits liability to the health care cost trend rate

The following presents the June 30, 2018 net retiree health benefits liability of the University calculated using the June 30, 2018 health care cost trend rate assumption with initial trend ranging from 5.0 percent to 9.3 percent grading down to an ultimate trend of 5.0 percent over 15 years, as well as what the net retiree health benefits liability would be if it were calculated using a health care cost trend rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE** (4.0% TO 8.3% DECREASING to 4.0%)	**CURRENT DISCOUNT** (5.0% TO 9.3% DECREASING TO 5.0%)	**1% INCREASE** (6.0% TO 10.3% INCREASING TO 6.0%)
Net retiree health benefit liability: University of California	$16,021,231	$18,862,265	$22,517,469
Net retiree health benefit liability: UCLA Campus and Medical Center	3,612,980	4,253,667	5,077,959

Discount rate

The discount rate used to estimate the net retiree health benefits liability as of June 30, 2018 and 2017 was 3.87 percent and 3.58 percent, respectively. The discount rate was based on the Bond Buyer 20-year tax-exempt general obligations municipal bond index rate since UCHRBT plan assets are not sufficient to make benefit payments.

Sensitivity of net retiree health benefits liability to the discount rate assumption

The following presents the June 30, 2018 net retiree health benefits liability of the University calculated using the June 30, 2018 discount rate assumption of 3.87 percent, as well as what the net retiree health benefits liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	**1% DECREASE (2.87%)**	**CURRENT TREND (3.87%)**	**1% INCREASE (4.87%)**
Net retiree health benefit liability: University of California	$22,371,868	$18,862,265	$16,069,882
Net retiree health benefit liability: UCLA Campus and Medical Center	5,045,124	4,253,667	3,623,951

Deferred outflows of resources and deferred inflows of resources

Deferred outflows of resources and deferred inflows of resources for retiree health benefits were related to the following sources:

2018 *(in thousands of dollars)*	**UCLA Campus and Medical Center**	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$17,422	$57,348	$74,770	$4,142	$78,912
Changes of assumptions or other inputs	849,717	2,491,196	3,340,913	92,220	3,433,133
Net difference between projected and actual earnings on plan investments	887	2,928	3,815		3,815
Total	**$868,026**	**$2,551,472**	**$3,419,498**	**$96,362**	**$3,515,860**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$531,071	$1,748,002	$2,279,073	$62,148	$2,341,221
Changes of assumptions or other inputs	821,772	2,399,151	3,220,923	83,384	3,304,307
Total	**$1,352,843**	**$4,147,153**	**$5,499,996**	**$145,532**	**$5,645,528**

2017 *(in thousands of dollars)*	**UCLA Campus and Medical Center**	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
DEFERRED OUTFLOWS OF RESOURCES					
Difference between expected and actual experience	$19,816	$65,196	$85,012	$5,084	$90,096
Changes of assumptions or other inputs	971,916	2,925,087	3,897,003	116,490	4,013,493
Net difference between projected and actual earnings on plan investments	781	2,571	3,352		3,352
Total	**$992,513**	**$2,992,854**	**$3,985,367**	**$121,574**	**$4,106,941**
DEFERRED INFLOWS OF RESOURCES					
Difference between expected and actual experience	$343,059	$1,128,722	$1,471,781	$52,216	$1,523,997
Changes of assumptions or other inputs	834,043	2,475,177	3,309,220	101,253	3,410,473
Total	**$1,177,102**	**$3,603,899**	**$4,781,001**	**$153,469**	**$4,934,470**

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2018 related to retiree health benefits that will be recognized in retiree health benefit expense during the next five years and thereafter are as follows:

(in thousands of dollars)	**UCLA Campus and Medical Center**	**Other Campuses and Other Medical Centers**	**Campuses and Medical Centers Total**	**LBNL**	**University of California**
2019	$(50,740)	$(164,999)	$(215,739)	$(8,504)	$(224,243)
2020	(50,820)	(165,258)	(216,078)	(8,504)	(224,582)
2021	(50,898)	(165,520)	(216,418)	(8,504)	(224,922)
2022	(50,995)	(165,836)	(216,831)	(13,365)	(230,196)
2023	(51,086)	(166,138)	(217,224)	(10,293)	(227,517)
Thereafter	(230,278)	(767,930)	(998,208)		(998,208)
Total	**$(484,817)**	**$(1,595,681)**	**$(2,080,498)**	**$(49,170)**	**$(2,129,668)**

11. ENDOWMENTS AND GIFTS

The value of endowments and gifts held and administered by the University or by UCLA's foundations, exclusive of income distributed to be used for operating purposes, at June 30, 2018 and 2017, are as follows:

	UCLA		Foundations	
(in thousands of dollars)	**2018**	**2017**	**2018**	**2017**
Restricted				
Endowments	$297,959	$282,056	$1,191,701	$1,098,820
Annuity and life income	967	1,163		
Nonexpendable	**298,926**	**283,219**	**1,191,701**	**1,098,820**
Endowments	572,245	531,462	337,002	269,626
Funds functioning as endowments	655,990	609,169	597,049	557,636
Annuity and life Income	27	362		
Gifts	301,194	253,923	658,326	639,670
Expendable	**1,529,456**	**1,394,916**	**1,592,377**	**1,466,932**
Total restricted	**1,828,382**	**1,678,135**	**2,784,078**	**2,565,752**
Unrestricted				
Endowments	2,049	1,850		
Funds functioning as endowments	907,537	860,905		
Gifts	998	1,073	392,756	157,453
Total unrestricted	**910,584**	**863,828**	**392,756**	**157,453**
Total	**$2,738,966**	**$2,541,963**	**$3,176,834**	**$2,723,205**

University endowments

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. UCLA's net appreciation available to meet future spending needs is subject to the approval of The Regents and amounted to $1.3 billion and $1.1 billion at June 30, 2018 and 2017, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was $43 million and $40 million for years ended June 30, 2018 and 2017, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest income earned during the year, was $39 million and $37 million for the years ended June 30, 2018 and 2017, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $87 million and $92 million at June 30, 2018 and 2017, respectively.

UCLA foundations

During the years ended June 30, 2018 and 2017, gifts of $310 million ($90 million from endowment investments and $220 million from current funds) and $242 million ($83 million from endowment investments and $159 million from current funds), respectively, were transferred to UCLA from the foundations.

12. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2018 and 2017, are as follows:

(in thousands of dollars)	**2018**	**2017**
Instruction	$2,338,405	$2,284,325
Research	848,347	841,108
Public service	154,868	146,932
Academic support	741,583	729,184
Student services	187,698	185,317
Institutional support	194,838	276,318
Operations and maintenance of plant	88,131	104,073
Student financial aid	95,085	109,160
Medical Center	2,128,078	2,108,305
Auxiliary enterprises	403,182	394,235
Depreciation	388,870	374,672
Impairment of capital assets	456	2,305
Other	33,687	19,105
Total	**$7,603,228**	**$7,575,039**

13. SEGMENT INFORMATION - MEDICAL CENTER

The University's medical centers' revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The medical centers' operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care. Condensed financial statement information for the UCLA Medical Center for the years ended June 30, 2018 and June 30, 2017 is as follows:

(in thousands of dollars)	**2018**	**2017**
Revenue bonds outstanding	$717,840	$729,825
Related debt service payments	41,504	46,008
Bonds due serially through	2049	2049
CONDENSED STATEMENT OF NET POSITION		
Current assets	1,666,222	1,471,268
Capital assets, net	1,717,689	1,749,540
Other assets	105,689	322,112
Total assets	**3,489,600**	**3,542,920**
Total deferred outflows of resources	**454,015**	**516,101**
Current liabilities	471,304	404,441
Long-term debt	908,811	934,794
Other noncurrent liabilities	2,454,479	2,564,310
Total liabilities	**3,834,594**	**3,903,545**
Total deferred inflows of resources	**447,245**	**421,778**
Net investment in capital assets	780,373	790,467
Restricted	10,884	11,138
Unrestricted	(1,129,481)	(1,067,907)
Total net position	**$(338,224)**	**$(266,302)**

(in thousands of dollars)	**2018**	**2017**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION		
Operating revenues	$2,514,065	$2,502,552
Operating expenses	(2,246,262)	(2,241,931)
Depreciation expense	(147,785)	(142,841)
Operating income	**120,018**	**117,780**
Nonoperating revenues (expenses), net	9,872	(36,579)
Income before other changes in net position	**$129,890**	**$81,201**
Health systems support	(212,827)	(175,341)
Transfers from university, net	12,629	
Changes in allocation for pension payable to University	(1,148)	5,834
Other, including donated assets	(466)	3,500
Decrease in net position	**$(71,922)**	**$(84,806)**
Net position - beginning of year	(266,302)	(181,496)
Net position - end of year	**$(338,224)**	**$(266,302)**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$353,639	$304,081
Noncapital financing activities	(268,614)	(173,112)
Capital and related financing activities	(171,333)	(43,206)
Investing activities	22,477	16,381
Net increase (decrease) in cash and cash equivalents	**$(63,831)**	**$104,144**
Cash and cash equivalents* - June 30, 2017	1,007,761	903,617
Cash and cash equivalents* - June 30, 2018	**$943,930**	**$1,007,761**

***Cash and cash equivalents on the medical center's financial statements are included in the University's Short Term Investment Pool.**

Summarized financial information for UCLA Medical Center is from the collective University of California medical centers' separately audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in UCLA's Statement of Revenues, Expenses, and Changes in Net Position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements, which are available at http://reportingtransparency.universityofcalifornia.edu.

Certain revenue generating projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health facilities, and athletics facilities) are also financed by Limited Project Revenue Bonds; however, assets and liabilities are not required to be accounted for separately.

14. CAMPUS FOUNDATIONS INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach, and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the primary purpose to raise funds for cancer research at UCLA. These two foundations are component units of UCLA. The combined financial statements of these two foundations are presented discretely in a separate column on UCLA's financial statements because of their nature and significance of their relationship with the campus.

Condensed financial statement information related to UCLA's foundations, including their allocated share of the assets and liabilities associated with securities lending transactions in the University's investment pools, for the years ended June 30, 2018 and 2017 is as follows:

	UCLA Foundations		
(in thousands of dollars)	**UCLA Foundation***	**Jonsson Cancer Center Foundation**	**Total**
Year Ended June 30, 2018			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$670,700	$15,159	$685,859
Noncurrent assets	2,851,090	19,651	2,870,741
Total assets	**3,521,790**	**34,810**	**3,556,600**
Current liabilities	293,343	2,917	296,260
Noncurrent liabilities	32,680		32,680
Total liabilities	**326,023**	**2,917**	**328,940**
Total deferred inflow of resources	**48,484**	**2,342**	**50,826**
Restricted	2,764,537	19,541	2,784,078
Unrestricted	382,746	10,010	392,756
Total net position	**$3,147,283**	**$29,551**	**$3,176,834**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$508,986	$16,537	$525,523
Operating expenses	(337,273)	(17,282)	(354,555)
Operating income (loss)	**171,713**	**(745)**	**170,968**
Nonoperating revenues	201,923	843	202,766
Income before other changes in net position	**373,636**	**98**	**373,734**
Permanent endowments	79,895		79,895
Increase in net position	**453,531**	**98**	**453,629**
Net position- June 30,2017	2,693,752	29,453	2,723,205
Net position-June 30,2018	**$3,147,283**	**$29,551**	**$3,176,834**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$115,297	$996	$116,293
Noncapital financing activities	67,443	400	67,843
Investing activities	(183,435)	(1,381)	(184,816)
Net increase (decrease) in cash and equivalents	**(695)**	**15**	**(680)**
Cash and equivalents-June 30,2017	5,110	169	5,279
Cash and equivalents - June 30, 2018	**$4,415**	**$184**	**$4,599**

*Net of investments held for JCCF

(in thousands of dollars)	UCLA Foundations UCLA Foundation*	Jonsson Cancer Center Foundation	Total
Year ended June 30, 2017			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$475,954	$14,038	$489,992
Noncurrent assets	2,552,070	19,146	2,571,216
Total assets	**3,028,024**	**33,184**	**3,061,208**
Current liabilities	256,771	1,457	258,228
Noncurrent liabilities	32,449		32,449
Total liabilities	**289,220**	**1,457**	**290,677**
Total deferred inflow of resources	**45,052**	**2,274**	**47,326**
Restricted	2,545,310	20,442	2,565,752
Unrestricted	148,442	9,011	157,453
Total net position	**$2,693,752**	**$29,453**	**$2,723,205**
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION			
Operating revenues	$284,585	$18,193	$302,778
Operating expenses	(279,057)	(13,099)	(292,156)
Operating income	**5,528**	**5,094**	**10,622**
Nonoperating revenues	259,222	1,049	260,271
Income before other changes in net position	**264,750**	**6,143**	**270,893**
Permanent endowments	69,673		69,673
Increase in net position	**334,423**	**6,143**	**340,566**
Net position - June 30, 2016	2,359,329	23,310	2,382,639
Net position-June 30, 2017	**$2,693,752**	**$29,453**	**$2,723,205**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	$(39,209)	$(361)	$(39,570)
Noncapital financing activities	51,395		51,395
Investing activities	(11,869)	(253)	(12,122)
Net increase (decrease) in cash and equivalents	**317**	**(614)**	**(297)**
Cash and equivalents - June 30, 2016	4,793	783	5,576
Cash and equivalents - June 30, 2017	**$5,110**	**$169**	**$5,279**

*Net of investments held for JCCF

Additional information for the foundations can be found in the foundations' separately issued annual reports, which can be obtained at: www.uclafoundation.org and www.cancer.ucla.edu

15. COMMITMENTS AND CONTINGENCIES

Contractual commitments

Amounts committed but unexpended for construction projects totaled $1.0 billion at June 30, 2018.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2018 and 2017 were $99 million and $84 million, respectively. The terms of operating leases extend through March 2042.

Future minimum payments on operating leases with initial or remaining non-cancelable terms in excess of one year are as follows:

(in thousands of dollars)

Year Ending June 30	
2019	$74,414
2020	64,642
2021	54,112
2022	42,767
2023	31,533
2024-2028	71,976
2029-2033	17,831
2034-2038	17,775
2039-2043	13,331
Total	**$388,381**

Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA Medical Center, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations, and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's financial position.

UCLA and the foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

Required Supplementary Information

The required supplementary information can be obtained from the 2017-18 annual report of the University of California Retirement System, which can be obtained at:
http://reportingtransparency.universityofcalifornia.edu

For more information, contact Financial Management and Reporting at cfs_fmr@finance.ucla.edu

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